The 1983 MANITOBA BUDGET Address

The Honourable Vic Schroeder
Minister of Finance
February 24, 1983

1983 MANITOBA BUDGET ADDRESS
Table of Contents

	Page
INTRODUCTION	1
THE ECONOMIC SITUATION AND OUTLOOK	5
° THE NATIONAL ECONOMY	5
° THE MANITOBA ECONOMY	8
THE FINANCIAL SITUATION AND BUDGETARY PROPOSALS	10
° BUDGET UPDATE - 1982/83	10
° BUDGET POLICY - CIRCUMSTANCES AND OPTIONS 1983/84	12
° MAIN EXPENDITURE ESTIMATES - 1983/84	15
° REVENUE REQUIREMENTS - 1983/84	21
° THE JOBS FUND	24
° BUDGETARY SUMMARY	28
NON-BUDGETARY CAPITAL REQUIREMENTS	29
CONCLUSION	31
SUPPLEMENTARY BUDGET MATERIAL	

The 1983 MANITOBA BUDGET ADDRESS

INTRODUCTION

Mr. Speaker:

Unemployment is the number one problem in Canada.

And...it is the number one problem in Manitoba.

Creating jobs...and saving jobs...are the top priorities of our New Democratic Government.

And...they are the most important objectives of this Budget.

Mr. Speaker...more than one and a half million Canadians are out of work.

Over 50,000 of them are Manitobans.

And, those are just the official statistics....

The worst recession in a half century cost this country between $35 and $40 billion in lost output last year. That means an average loss of about $1,500 for every Canadian...or $6,000 for a family of four.

Here in Manitoba, it is estimated that because the impact of the recession was not as severe, and our inflation performance was better, the loss was not as large -- in the range of $1 billion...$1,000 per person, or $4,000 per family. Still...the amounts are huge...and must be a concern for every citizen -- because of what they mean for our living standards today...and for our future.

These are not temporary losses. They are permanent. They can never be recovered.

Much the same is true of the half million jobs which have disappeared across Canada. The structure of the economy is changing, and many of those jobs may never be filled again.

As a direct result of the recession, every senior government in Canada has experienced a dramatic fall-off in revenue growth. And, virtually all governments that have reported updated Budget estimates are projecting substantially larger deficits -- and less and less flexibility.

Now, according to the forecasts, a gradual recovery may be starting.

But...at the same time...we are told that unemployment rates could increase in every province in 1983.

That means a further, tragic waste of our most valuable resources -- the skills, talents, and energy of our people.

Unemployment is a national problem. There are severe and obvious limits on what one province can do on its own to combat it.

But, action at the provincial level will make a difference...and our Government is determined to do all that we can.

Our first Budget, last year, set out two main goals:

- First - to help sustain and strengthen our economy during one of the most difficult periods Manitoba and Canada have faced in decades -- to underpin our economic foundations, to make certain we can take early advantage of a national recovery when it takes place, and

- Second - within our limited resources, to provide as much protection and assistance as we can to relieve Manitobans of the worst effects of national conditions and national policies.

We have made important progress in achieving these goals. Our economic performance last year compared quite favourably to that of the other provinces.

The special initiatives I will announce tonight to encourage economic development and to create new jobs...as well as the other measures in this Budget...are entirely consistent

with these objectives -- and will add to that progress in a significant way.

This is the first Budget for 1983 to be introduced by any senior government in Canada.

The Budgets which follow Manitoba's may differ in specific approaches...but it is to be hoped that all will have a similar, general thrust -- with jobs as their primary target.

The challenge is nation-wide...and success in meeting it requires a coordinated, nation-wide attack, under federal leadership.

However...governments cannot do the job alone. All sectors of the economy must share responsibility for meeting the challenge.

In many ways, what is not in the Budget -- what happens outside the government sector -- is at least as important as what is in the Budget I am presenting tonight.

Last Fall, several of my colleagues and I attended the Manitoba Economic Summit Conference in Portage la Prairie. We could not fail to be impressed by the degree to which the representatives of business, labour, farmers and other major sectors of our economy, who also took part in that Conference, recognized and confirmed their shared responsibility...and expressed their readiness to work together to protect and strengthen our economy.

The same readiness to consult and to cooperate wherever possible was evident in the pre-Budget discussions of the last few weeks.

And...this week's announcement of the agreement with the Manitoba Government Employees' Association shows that a commitment to shared responsibility can mean solid, positive advantages for Manitoba.

Since the Budget date was announced, my colleagues and I have met almost daily with groups and individuals across the Province...to review their concerns and to seek their advice on Budget options. Those consultations have ensured, I believe, that there is a greater awareness and understanding of the realities and constraints facing our Government. In turn, we were encouraged by the widespread recognition...in fact, I think

it would be fair to say, by the general consensus...that expanding job opportunities and securing existing jobs must be our most urgent budgetary priorities.

Mr. Speaker...I want to speak briefly about the changes in the Budget presentation this year.

- February 24th is the earliest date on which a full Budget has been introduced in Manitoba since 1967.

- The combined presentation of Expenditure and Revenue Estimates means that our Budget plan can be reviewed in its entirety now, in a way which should lead to a clearer understanding of our proposals and the reasons for them.

  Several other provinces have used a combined presentation for many years, and we welcome the support of the Members opposite for its introduction here. When a combined presentation was last introduced in Manitoba -- about 20 years ago by the Roblin Government -- it was described as an experiment. That is our view as well. There may be circumstances in future years which would make a return to the former system appropriate. One example could be a delay in negotiations concerning federal transfer payments. That was a major factor in our Budget timing last year.

- Finally, the Estimates contain a better and more easily-understood presentation of capital -- and its significance in our overall financial position.

Mr. Speaker...our Budget last year required a number of hard choices and hard decisions.

The choices and decisions this year have been even more difficult.

Some administrations might have turned their backs on those choices and claimed an inability to act.

But...in November of 1981, the people of Manitoba made it clear that they want a Government which is not afraid to admit to the problems which are threatening our Province...and which is not afraid to confront them directly, in a responsible and creative way, with every resource we can marshall.

This Budget reflects our commitment to that mandate and our determination to fulfill it...prudently...fairly...and in the best interests of all Manitobans.

One of the most important results of last fall's Economic Summit was the strong and unanimous confidence expressed by representatives of all sectors of the economy in the future of our Province and in the development opportunities which Manitoba offers.

This Budget is based on that same confidence.

Still...no one in this House...and no one across the Province...should be under any illusions about the severe pressures we and every other province must face in the months ahead.

If national recovery forecasts are not borne out, our budgetary situation inevitably will become more constrained...and our latitude for action even more limited.

THE ECONOMIC SITUATION AND OUTLOOK

The National Economy

Within the next several weeks, the federal Minister of Finance will present his Budget for the 1983/84 fiscal year.

In it, he must review a litany of negative statistics with which Canadians are all too familiar.

We have recognized -- and have acknowledged -- that there is no single cause on which the current recession can be blamed entirely...just as there is no simple solution.

At the same time, there is little doubt that much of the problem can be traced directly to the high interest rate policy of the Government of the United States and the failure of the Government of this country to adopt monetary policies which were more appropriate to the Canadian situation.

Last year, in our Budget, we stressed our concern about the severe damage U.S. policies were having on the Canadian economy. Subsequently, the federal government began to express similar views. But, the damage has been done. Although nominal interest rates have come down with the rate of inflation, real interest rates are still far too high...and the effects of the recession continue to spread.

No region...and virtually no sector or industry...has been unaffected.

Here, and in other provinces, the pressures of structural and technological change have been aggravated...and the already-difficult process of adjustment has become impossible for many business operators.

There have been arguments over which is more serious: the lack of consumer confidence or the lack of investor confidence. The simple fact is that both have been shattered...and neither will recovery easily.

But...there is one subject on which there is general agreement. There is no rapid recovery in sight for investment or employment. The best that forecasters can predict is a slow, gradual upturn -- an upturn which could fail to materialize if interest rates move upward again...and if, here in Canada, we fail to undertake a coordinated attack on unemployment.

In January, the unemployment crisis was the subject of a well-reasoned and forceful public statement by the Canadian Conference of Catholic Bishops. They emphasized that:

> "...Massive unemployment, which deprives people of the dignity of human work and an adequate family income, constitutes a social evil.
>
> "It is also a major economic problem since high unemployment rates are accompanied by lower productivity, lower consumption of products, reduced public revenues, and increasing social welfare costs.
>
> "...Alternative strategies are required which place primary emphasis on the goals of combatting unemployment by stimulating production and permanent job creation in basic industries; developing a more balanced and equitable program for curbing inflation; and maintaining health care, social security, and special assistance programs."

At the last Finance Ministers' Conference in December, I tabled a position statement which recalled that the federal government's 1945 White Paper on Employment and Income committed the Government of Canada to maintaining a "high and stable level of employment and income...as a primary object of policy."

As our statement noted...then, the goal of the federal government was reconstruction and the achievement of full employment. Today, it should be no less.

We went on to point out that the White Paper stated, quite correctly, that the goal of full employment:

> "...cannot be achieved by legislation alone, nor by a single device or plan. ... Its attainment will require the effective working of a number of compatible policies, all directed to the same end, and each contributing to the success of the others. It will not be enough that it is an object of government policy. It must be an object of national endeavour. The active cooperation of all governments and groups in the country will be essential to success."

The provinces have indicated their desire to cooperate more closely with the federal government...and it now appears that Ottawa is willing to reciprocate. The December Finance Ministers' Conference was an important starting point for the process of policy coordination. We are extremely hopeful that the federal Budget will at last give concrete evidence of the federal government's readiness to take the lead in a national campaign to reduce unemployment across the country.

In December, we proposed the establishment of a large-scale federal-provincial capital investment fund as a key part of that campaign. And, we have made specific suggestions -- which I will outline later -- concerning the kinds of projects we believe warrant consideration for federal cost-sharing in Manitoba -- priority infrastructure developments with a substantial job creation impact.

Recently, when we submitted our proposals to the federal government, we emphasized our concern about statistics showing a significant decline in the share of federal investment coming to Manitoba in recent years, as well as an absolute decline in 1982, at the same time as it increased substantially elsewhere.

The people of Manitoba have every right to expect this situation to be corrected as soon as possible.

The Manitoba Economy

Despite problems in a number of sectors, the impact of the recession on Manitoba was among the least severe on any province in Canada last year. The latest Conference Board estimates suggest that, along with Saskatchewan, we experienced the second-lowest decline in real output among the provinces in 1982.

There are several reasons. A relatively good year for agricultural output...the balanced nature of our economy, including a substantial service sector...and the supportive economic and fiscal policies we introduced last year...all contributed to preventing a further downturn.

But...incomes were down significantly for farmers. And, we recognize that the effects of the recession have been extremely damaging for the rest of the goods-producing sector -- particularly mining and manufacturing -- and have been felt throughout the entire economy.

After several years of weak performance...when Manitoba was at, or near the bottom among the provinces in terms of growth, investment, and employment creation...this is a doubly serious concern...and it explains our determination to do all we can to prevent a further deterioration in our position.

A detailed summary of recent developments in our Province is included in the Economic Review which accompanies this Budget.

The Review makes no attempt to gloss over our problems, but it also notes that there were some reasonably favourable statistics for Manitoba last year as well:

- an increase of about 10,000 in our population, reflecting the relatively better employment situation here;
- the lowest rate of inflation -- as measured by the increase in consumer prices -- in part because of Budget measures adopted last year;
- along with Alberta, the smallest loss of jobs; only one province -- Saskatchewan -- had a marginal increase;
- and finally, despite a dramatic increase, an unemployment rate which remained well below the national average, and which last month, with Alberta's, was the second lowest in the country.

Mr. Speaker...it is clear that we must continue our efforts to sustain and secure our economy and to help those who have been hurt worst by the recession. And...at the same time, we must also continue to plan for the longer term -- to ensure that we start making the adjustments now which are necessary to respond to the structural changes taking place throughout the national economy.

That process is underway on a joint basis with business and labour as a follow-up to the Economic Summit. It got off to an excellent start -- based on far more common ground than many realized existed, and on remarkable goodwill. The major advantages our Province enjoys...including our quality of life, our human and natural resources, and our relatively favourable cost structure...will be among the many factors considered as we work together in the coming months to identify key opportunities and develop joint strategies for realizing them.

It is also essential that the federal government be involved in the planning process. The recent signing of the new Northern Development Agreement is only one example of the importance of close federal-provincial cooperation -- and federal financial support -- to the future expansion of our economy.

Unfortunately, the overall support we have received from Ottawa up to now has been less than adequate.

Much of what we have accomplished thus far has been on our own.

The Interest Rate Relief Program is an important example, and Homes in Manitoba is another.

And...most of the direct job creation initiatives we introduced last year were designed and financed entirely by Manitoba.

Those measures, and others I will announce tonight, show that we are fully prepared to do our part.

In our Budget last year, we stressed the importance of making certain Manitoba is in a position to take early advantage of a national recovery, when it comes.

But...if the recession continues, it will become all the more difficult to maintain a satisfactory recovery posture and to avoid losing ground again.

In its latest forecast, the Conference Board has predicted that Manitoba's economy will grow at close to the national average in 1983...and that is reasonably encouraging.

However, it is also projecting a further decline in employment -- about the same as the national average -- and another substantial increase in our unemployment rate, though we would have, the Board suggests, the second or third lowest rate among the provinces.

But...there is little consolation in having the second or third lowest unemployment rate when that rate is projected to be over 10%.

The human costs...and the costs to the economy...are simply unacceptable.

Jobs mean income...and income means demand...for the goods and services we produce.

And...jobs mean output...at a time when we have a great deal of idle and underutilized capacity.

And...jobs mean confidence...for young people struggling to find work for the first time, and for experienced workers -- many of them heads of families -- whose livelihoods have been lost or are in jeopardy.

And...jobs also mean a productive alternative, a positive alternative, to Unemployment Insurance or social allowances.

That is why it is imperative that we direct every available resource to creating and protecting as many jobs as we can.

THE FINANCIAL SITUATION AND BUDGETARY PROPOSALS

Budget Update - 1982/83

Mr. Speaker...our Budget last May emphasized our concern about our revenue position. It had been weakened by cutbacks in federal transfer payments and by a sluggish economy...and was threatened further by the national recession.

The extent to which the recession has undercut our expected revenue growth for the current year became evident in

the Second Quarter Financial Statement which was tabled in December.

Tonight, I will table further revised forecasts with the Third Quarter Statement.

The latest revisions for 1982/83 indicate an additional $16 million reduction in estimated revenues...but, at the same time, forecast expenditures are also down, by about $19 million -- partly reflecting the expenditure containment measures I announced in December -- including restrictions on hiring, travel and other controllable costs. These measures will remain in effect in the new fiscal year.

The result is a marginal improvement in the deficit estimate for the current year -- of about $3 million -- from $498.4 million in the Second Quarter Report to $495.5 million -- about $152 million above the original estimate of $343.5 million.

This still leaves us with the smallest "bottom line" change in western Canada...and our position continues to compare favourably with most provinces across the country.

Revenue reductions now account for more than three-quarters of the increase in the deficit since the Budget. Expenditures are projected to be up by just over 1% above the original estimates. That compares to more than 2% last year.

The overall increase in the expenditure forecast since the Budget is due almost entirely to the upward revision in the estimate of public debt costs -- costs attributable in part to the deficit in the 1981/82 fiscal year. This means our total estimated spending for general programming is now almost exactly the same as the Budget estimate. In fact, several Departments are now below initial estimates.

I should note that the third quarter forecast takes into account expenditures for which we required a General Special Warrant earlier this month.

Special Warrants for the 1982/83 fiscal year totalled about $44 million, compared to approximately $105.5 million in 1981/82. This year's total is the lowest in 4 years.

As I indicated when tabling the Second Quarter Report, the largest single change since the Budget has been a major fall-off in the federal government's forecast of our corporation income tax revenues. The latest estimate of corporation income

tax revenues is $60.4 million, about $84.9 million below the Budget estimate of $145.3 million. Negative adjustments relating to prior years and totalling over $17 million are included in the difference.

Although there has been a significant upward adjustment in Ottawa's estimate of our personal income tax revenues, other federal payment estimates have been revised downward, including block funding payments for health and post-secondary education.

And...estimates of revenues from our own sources, including the retail sales tax, have been reduced as well.

We do not expect any significant change in the year-end forecasts between now and March 31. However, as always, there is some uncertainty surrounding federal payment adjustments which fall due next month.

Budget Policy -- Circumstances and Options -- 1983/84

Mr. Speaker...during the consultative process which led up to tonight's Budget, my colleagues and I spoke out about realities facing the Government and the Province for the coming fiscal year.

One of the main realities continues to be the negative impact of the recession on revenue growth. Our initial estimates for 1983/84 indicated that -- without taxation adjustments -- revenues would only grow by about 5 - 6% above last year's Budget estimates -- even with the full-year effect of the 1982 tax measures taken into account.

But...the recession is not the only reality affecting our revenue position. Forecasts presented in last year's Budget showed that the cutbacks in federal transfer payments introduced in 1982/83 would have a much larger impact in the second year and that the impact would increase even more in the years which follow. We calculated that the net cutback in 1983/84 would be about $100 million, primarily because of changes in the equalization formula.

The revenue estimates I will table later show that, in the coming year, federal transfer payments will only account for about 35.5% of our revenues -- a major drop-off from the peak of nearly 43% five years ago.

And...those continuing cutbacks are not our only concerns about the Fiscal Arrangements. There have been suggestions that the federal Minister of Finance may be considering further reductions in block funding for health and post-secondary education in his upcoming Budget.

In addition, recent equalization estimate revisions show that the basic formula -- without the special transitional payments we negotiated for Manitoba -- is yielding far less than projected a year ago. Current estimates indicate that transitional payments will account for more than 25% of our gross equalization entitlement in 1983/84. Obviously, the transitional arrangements have worked to Manitoba's advantage. We are confident that the same renewed spirit of federal-provincial cooperation which made them possible will result in an early extension and improvement of these arrangements to prevent our Province from facing a serious payment drop when the current federal legislation expires two years from now.

One other point should be made about the revenue side. Because our Budget is being presented so much earlier this year, our revenue estimates are based on more preliminary information and on federal forecasts which could well change after Mr. Lalonde's Budget. In other words, the estimates are the latest available, but they are obviously less "firm" than they would be if we waited until April or May to bring in the Budget.

Mr. Speaker...there are also realities on the expenditure side which have affected our Budget planning in a major way.

- The first is our commitment to do as much as we can to create and protect jobs in Manitoba. Additional financial resources must be dedicated to this priority.

- The second is our commitment to maintain and improve our existing public services. These services -- health care, education, income support for the elderly, and others -- are every bit as important to our social and economic well-being as any other service or industry in the Province. The majority of Manitobans recognize that fact...and made it very clear in the decision they made in November, 1981.

- A third reality is the cost of our statutory obligations -- primarily public debt. There, we have no flexibility whatsoever. The costs simply must be met -- and they have increased rapidly.

° A fourth reality is the high proportion of our expenditure total -- about 60% -- which represents grants and transfers to individuals, as well as to hospitals, school divisions, municipalities, and other outside agencies, and so on. There is little real flexibility there, and relatively little in other major categories such as direct wages and salaries -- though the renegotiated M.G.E.A. agreement proves there is some.

° A fifth reality is the impact of the recession and unemployment on certain categories of expenditures, such as social assistance and the training programs needed to respond to these problems.

Mr. Speaker...in recognition of these realities, we established strict guidelines for preparing this year's Expenditure Estimates and have followed them as closely as possible.

And...we have made a major effort to repriorize expenditures to get the most out of our limited resources...particularly in the area of job creation.

Some have questioned the rationale for curtailing employment in the public service in favour of increasing it through other programs. The explanation is straightforward.

For 1983/84, we have reduced the number of positions in government departments -- the number of "staff years" -- by almost 500 from last year's total.

We are trying to ensure the maximum job creation activity and investment for every dollar of provincial funds expended. To the extent we can encourage additional expenditures...such as by securing matching contributions from other sources, including the federal government...we can increase the effect of our investment.

Of course, in line with the agreement with the M.G.E.A., we have undertaken not to lay off permanent staff. However, it is clearly understood that there may be some redeployment and some reallocation of responsibilities. And...it is also understood that the size of the civil service will continue to be contained through attrition and stringent limits on new hiring.

Tonight, I am announcing a special initiative to encourage early retirements for eligible public servants -- to give us greater reassignment flexibility within the limited position totals now available...and to be fairer to younger employees. For a 3-month period starting March 1, eligible civil servants will be

able to take advantage of a special set of early retirement pension benefits.

Mr. Speaker...these measures reflect...and will require...ongoing managerial discipline within the public service.

But...since we already have the third smallest civil service, in relative terms, of any province in Canada...and since we have the third-lowest level of expenditures on a per capita basis -- both according to a recent Financial Times survey -- it is clear that proposals for large-scale cutbacks are unrealistic and irresponsible.

Such cuts would be possible...but they would do irreparable harm to our most important services, they would damage our economy, and they would lead to far greater costs in the future as Manitobans tried to rebuild them.

Mr. Speaker...another important reality is, of course, the size of our deficit, particularly the deficit for operating expenditures.

As I said before...this is a reality facing the federal government and virtually all provinces as the recession undercuts revenue growth.

Main Expenditure Estimates -- 1983/84

Mr. Speaker...this is the only Province where civil servants have voluntarily agreed to reduce wage costs. Those at high income levels and those in elected office should do no less.

Mr. Speaker...my colleagues and I have decided that members of the Executive Council will not receive an increase in our total incomes from Government service in the coming year. Any increases in our indemnities as Members of the Legislature will be balanced by an offsetting reduction in Ministers' salaries so that the net effect will be a "zero increase" for members of the Cabinet.

At the moment, the formula for calculating indemnities for all Members of the Legislature seems likely to produce a substantial percentage increase for the year...a result we believe most Members will feel is inappropriate in the current circumstances. We will initiate discussions with Members of the Opposition to determine if there is an agreement on more appropriate indemnity levels for MLA's.

For the senior staff in the public service -- who are excluded from the M.G.E.A. -- we will limit salary increases next year to 2% at the $50,000 income level -- and less above that level. We believe it is only fair -- and will expect that senior management of Crown Corporations, hospitals, educational institutions and other publicly-funded organizations will have their compensation placed under similar limits.

Mr. Speaker...earlier, I indicated that the Expenditure Estimates format has been improved for 1983/84. Now, the operating and capital expenditures of each Department not only are shown separately -- as they have been in recent years -- but they are actually added up in the Estimates Book -- a simple change, but one which emphasizes the importance capital spending has in our overall expenditure program. Also, without altering the definition of capital, we have found a number of additional expenditure items of a capital nature which formerly were not included in the totals. This has been rectified. The changes -- such as the inclusion of capital grants to the City of Winnipeg and acquisition and construction costs under the "A.R.C." or Red River Corridor agreement -- were made in consultation with, and with the agreement of the Provincial Auditor.

Now...I would like to outline some of the main highlights in the Expenditure Estimates. As usual, further information will be made available by the Ministers responsible during the review of the Estimates in Committee of Supply.

Also, the information in the Estimates will be supplemented, when we are in Committee, by additional detailed Estimates Books from four Departments this year. In 1982, we started the experiment with Finance...and in 1983 it will be expanded to include Consumer and Corporate Affairs, the Civil Service Commission, and Fitness, Recreation and Sport.

Health

For the first time this year, the expenditures of our largest Department -- Health -- are estimated to exceed $1 billion.

The Health estimates are up about $106 million or 11.6% over last year's total.

Important increases will be provided for Community Health Programs and Operations and, of course, for the Hospital Insurance and Medicare Programs

operated by the Health Services Commission -- along with Pharmacare, the Personal Care Home Program, and other public health services which were initiated in this Province by an NDP Government.

Total health expenditures will account for about 31% of our Estimates this year, about the same as in 1982/83.

Education

Total expenditures for the Department of Education will increase $49.6 million or 8.7%.

My colleague, the Minister of Education, has already announced details of Education Support Program payment improvements for 1983.

In addition to that increase for public schools, the Estimates also provide significant improvements in financing for the Community Colleges, and an increase of about 10 1/2% in operating grants provided through the Universities Grants Commission. Universities operating grants will total about $148.3 million in 1983/84, and this will be augmented by capital grants of $5 million.

These increases come on top of a major increase last year.

Community Services and Corrections

The Department of Community Services and Corrections requires one of the largest increases in the Estimates this year -- around 17.8% or $45 million -- partly as a result of added social allowance costs related to the recession.

Estimated expenditures for municipal assistance -- that is, generally shorter-term assistance in which the Province cost-shares -- are expected to double in the coming year, from $10.5 million to $20.6 million.

I would also draw the attention of Members to the appropriation for day care. There have been

important consultations on day care programming... and our commitment to strengthening this key service has been made clear.

The estimates confirm that commitment.

Day care grants and subsidies will increase by over 19% to $13.8 million next year.

Agriculture

The general expenditures of the Department of Agriculture are estimated to increase by around 11% for 1983/84, although there will be a drop-off in requirements for the income insurance fund.

This program has been highly successful. Last year's requirements were higher because of the large initial cash payments provided for under the plan.

The Estimates of the Department also include provision for a substantially-improved guaranteed farm operating credit program which will encourage financial institutions to make available up to $100 million in short-term credit for Manitoba farmers. Details of the program will be announced by my colleague, the Minister of Agriculture, at an early date. It will represent a major improvement over existing guaranteed lending programs and will provide further assistance for farmers who have been hurt by declining incomes and rising costs.

Labour and Employment Services

Another Department with a significant percentage increase in its appropriation is the Department of Labour and Employment Services.

That Department has lead responsibility for implementing our training and job creation initiatives. It is supported in this area by a number of other Departments and agencies and by the Economic and Resource Investment Committee of Cabinet.

Economic Development and Tourism

One such Department is Economic Development and Tourism. The estimated expenditure for the Department in the coming year is $24.8 million -- including expanded tourism development efforts under the Destination Manitoba Agreement.

The Minister and the Department played a key role in organizing last Fall's Economic Summit, and they will have the lead responsibility for working with business and labour representatives in preparing joint strategies for the future development of our Province.

Municipal Affairs and Urban Affairs

The expenditures of the Departments of Municipal Affairs and Urban Affairs are estimated to increase by some 14% and 12%, respectively, primarily reflecting improvements in the grants and services those Departments provide to local governments in this Province.

Despite the serious pressures on our budgetary position, our Government has provided substantial increases in assistance to municipalities and school divisions. We have not tried to offload our financial problems onto local authorities or property taxpayers.

In fact...given the realities facing us...some could argue that the levels of support we have been providing are exceedingly generous. At the very least...I believe they are fair. And...I should add as well that, as we had promised, we are providing Local Government General Support Grants totalling $12.3 million to enable them to fulfill their obligations under the Levy for Health and Post-Secondary Education without staff cutbacks or local property tax increases.

Northern Affairs

For the Department of Northern Affairs, the recent signing of the new Northern Development Agreement with the Government of Canada is, of course, the

major highlight. This will be the first full year of the new Agreement's operation.

The total expenditure authority being requested for programming under the Agreement, in the Department's estimates and in the enabling vote, is $22.4 million for 1983/84.

Energy and Mines

Our Government's efforts to expand energy resource development will be stepped up in the coming year through the reorganized Department of Energy and Mines.

Authority for two of the Department's main initiatives -- investments in resource opportunities through the Manitoba Mineral Resources Ltd. and the Manitoba Oil and Gas Corporation -- will be sought in the capital supply bill.

Finance

Mr. Speaker...earlier I indicated that public debt costs had increased rapidly. For 1983/84, they are estimated at $282 million, up $155 million or 120% from the $127 million total projected originally for the 1982/83 fiscal year. The increase over the revised estimate for the current year is $124 million or 78%.

This year, public debt charges will account for nearly 9% of our total expenditures, compared to under 5% for last year's estimates. The reason for the increase is simple enough. It is the result of both larger deficits and exchange rate costs related to foreign debt issues maturing next year. These costs have accumulated over the periods of the issues, but fall due at maturity. Roughly one-fifth of the estimated debt costs for next year can be attributed to the 1982/83 deficit.

With the substantial increase in statutory public debt costs...and with the low rate of revenue growth I described earlier...even the modest increase we propose in general departmental and other expenditures, excluding statutory items and job creation costs, about 9.5% over the latest revised estimate for 1982/83 and also about 9.8% over the original estimates --

would have left us with a potential deficit of well over $600 million and no additional funds to assist in creating and protecting jobs.

Revenue Requirements - 1983/84

As a result, it is necessary to introduce a number of taxation adjustments.

The added revenues from these measures will help hold down our deficit, maintain vital services, and, most important, play a key part in the attack on unemployment.

I should indicate, however, that I am not able to announce two kinds of adjustments we would have preferred.

We are obliged, under our tax collection agreement with Ottawa, to obtain their concurrence in any changes affecting provincial income taxation. Recently, we indicated our possible interest in proceeding with a minimal tax applied against total income, or with a tax-based incomes program which would have involved a levy on income increases beyond a specified dollar amount. However, the federal government advised us that it was not able to administer these measures for us for the coming year.

Ottawa's decision was unfortunate, because both alternatives would have meant significant improvements in the equity of the income tax system.

In the last several years, the national tax structure has become more and more complex...and more and more unfair. High income-earners now enjoy more advantages and pay lower taxes than at any time in recent years...and the O.E.C.D. says that Canada's wealth taxes are the lowest of any member country -- a fact Canadian governments have not publicized well. At the same time, large corporations enjoy countless incentives -- concessions which, by and large, have not had the positive economic impact predicted for them. But...the impression continues to be conveyed that these corporations, and individuals with high incomes, are being overtaxed in Canada. The Carter Royal Commission on Taxation was established over twenty years ago, and there hasn't been a systematic review of national taxation since. We believe it is time for another such study -- and that the provinces should be directly involved.

At the same time, as I mentioned in last year's Budget, we intend to continue our review of "tax expenditures" -- that

is, the hidden "expenditures" implicit in the various exemptions and deductions which are built into our tax system. We will also examine the implications of various options for improving the administration of our income and other taxes.

Mr. Speaker...the result of the federal decision was to narrow our options generally to the revenue sources which are now in place.

Following is a summary of the taxation measures we have decided upon.

More information is included in an Appendix to my Address.

- Effective April 1, the rates of tax on gasoline and diesel fuel will be set at 7.5¢ and 8.6¢ per litre, respectively. The current rates are 6.4¢ on gasoline and 7.3¢ on diesel fuel. These changes will produce about $19.6 million in the next fiscal year.

- Starting March 21, the tobacco tax will be increased by 0.3¢ per cigarette to 2.1¢, and the rates for fine cut tobacco products will be adjusted as well. The added revenue from this change will be $6.9 million.

- Liquor Commission markups will also be adjusted -- though not on beer -- to increase revenue by $5 million.

The additional revenue from these three measures -- about $31.5 million -- will be applied toward reducing our deficit for the coming year.

Mr. Speaker...we believe -- and we think the majority of Manitobans will agree -- that those who are fortunate enough to have reasonable levels of income will be willing to make some sacrifice to help those who have not...and to assist in protecting and developing our economy. Manitobans have always done so in difficult times in the past. That is what makes our Province such a strong community, and an example for the rest of Canada of how the principle of shared responsibility can and will work.

Of course, this responsibility must be shared fairly, both among individuals and among economic sectors.

And...we must continue to have a tax structure which is competitive.

Last year, of course, we introduced a new levy on employers...the 1.5% Levy for Health and Post-Secondary Education...and a surtax under the Income Tax Act on higher-income earners. Both sources of revenue permitted us to avoid a sales tax increase last year, and their continuation will permit us to minimize increases this year -- and to keep our overall tax and cost structure fair and reasonably in line with those of other provinces.

It was these principles which guided us in deciding on the adjustments I announced earlier, and those I will now propose to help support our efforts to create and save jobs in Manitoba.

- Effective January 1, 1983, the income tax rate for large corporations will be increased to 16% from 15%. This change will bring our large business rate into line with British Columbia's.

  In addition, legislation will be introduced to limit the benefits of Manitoba's small business rate to active business income. This parallels legislation now in effect in all other provinces with corporation income tax collection agreements with the federal government.

  There will be no change in the small business rate, which our Government reduced last year to 10%.

  The corporation income tax changes will produce an additional $7.2 million in 1983/84.

- In last year's Budget, a special 2% corporation capital tax was applied on banks for a one-year period. This tax will be extended for another year and will increase revenues by about $3.2 million.

- Effective midnight, March 6, the general sales tax rate will be increased by 1 percentage point, from 5% to 6%. This change will leave us -- along with British Columbia -- with the second lowest rate among the nine provinces with sales taxes. Ontario's present rate is 7%; Quebec's is 9%, and further east, the rates range up to 12% in Newfoundland.

  The change in the rate will have no direct effect on the costs of the basic necessities -- food, children's clothing, housing, farm machinery and equipment, and

other items -- which are not subject to tax. These exemptions play an important part in making the tax reasonably fair in its application. And...the tax credit programs introduced by the New Democratic Government in the 1970's -- particularly the Cost of Living Tax Credit -- help provide offsetting assistance as well.

The same 1% increase will be reflected in the Revenue Act, 1964, Part 1. Of course, home heating will continue to be exempt from this tax.

These changes will provide a significant and broadly-based source of funds for job creation -- some $64 million in 1983/84.

In total, the large corporation income tax and retail sales tax changes, along with the extension of the special tax on banks, will produce about $74 million next year.

This amount will be dedicated to helping finance the most important initiative in this Budget -- a new Jobs Fund for Manitoba.

The Jobs Fund

Mr. Speaker...creation of the Jobs Fund will require special legislation which will be introduced at the earliest opportunity.

That legislation will provide the flexibility necessary to design and finance a wide range of job creation efforts over an extended period -- both on our own, and in cooperation with the federal government, the municipalities, and the private sector.

A major purpose of the Jobs Fund will be to improve the effectiveness and coordination of the entire range of job creation measures we have introduced in the last year. All these programs will be assessed within the Jobs Fund criteria.

We have already consulted with representatives of key labour and business organizations, and they have indicated a strong interest in having an input in programming decisions.

Mr. Speaker...I am proud to announce that this Budget dedicates $200 million to the Jobs Fund.

Financing for the Jobs Fund includes:

- $72.2 million in budgetary authority -- made possible by the tax measures I just outlined.

- $83 million in new non-budgetary capital authority included in the Capital Supply bill I will table later, and

- $34.8 million in capital authority carried forward from the current year.

- Also, I am announcing that $10 million in additional budgetary authority for wages and salaries -- freed up by the new agreement with the M.G.E.A. -- will be added to the Jobs Fund.

The total again...$200 million -- roughly double the amounts allocated for job creation efforts in 1982/83.

And...Mr. Speaker...we hope these amounts are just the beginning.

For example, we see the Jobs Fund as the source of financing for our share of major federal-provincial capital investment initiatives in Manitoba.

The Jobs Fund symbolizes our Province's commitment to a nation-wide attack on unemployment.

This evening, I will be sending a telex to the Honourable Marc Lalonde advising him of the creation of the Jobs Fund. I will also emphasize our continuing readiness to cooperate with the federal government in developing, financing and implementing a wide range of measures to protect existing jobs and to create as many new jobs as possible in Manitoba. I will be reminding him too, of the positive budgetary effects of such measures for the federal government -- higher tax revenues, along with reduced Unemployment Insurance and Canada Assistance Plan payments.

Earlier, I referred to a set of project proposals which have already been submitted to Ottawa. They involve key infrastructure developments which would have lasting value to the Manitoba economy.

The proposals include:

- Industrial Development projects, such as a National Research Council Institute for Manufacturing Science and Production Technology.

- Transportation projects, involving upgrading of the Hudson Bay Rail line from The Pas to Churchill, a railway rolling stock manufacturing facility, a boxcar rehabilitation program, and a trolley bus technology demonstration project.

- Forestry projects, incuding expansion and modernization of the Manfor plant.

- Housing projects, specifically a rental housing renovation and conversion program.

- Hydro projects, such as the extension of power lines to the Port of Churchill.

- Special facility construction and maintenance, including a new Winnipeg Remand Centre, a new Materials Testing and Research Lab, and several major improvements for Winnipeg's firefighting capability.

- Road and highway projects, such as "twinning" Highway 75 to the U.S. border.

- Water management and flood prevention projects.

- Business projects, including acceleration of Main Street Manitoba and expansion of the Hecla Island resort hotel -- Gull Harbour Lodge.

- Cultural and arts projects, such as a new facility for the Royal Winnipeg Ballet, a Heritage Buildings Fund, a new Brandon University Music building, and expansion and acceleration of work on the University of Winnipeg's Athletic Centre, and

- Public infrastructure projects, ranging from a new building at the University of Manitoba for Administrative Studies, along with several technical education facilities, to Red River pollution control, sewer and water system improvements, and a number of new or upgraded health care centres.

Both business and labour representatives have expressed the view...and we agree...that it is most important to select projects that meet a dual purpose:

-- jobs today...

-- plus other long term benefits to the Manitoba economy, such as helping encourage new industries to develop, upgrading existing industries and making them more competitive, and improving the quality of the workplace.

During our recent pre-Budget consultations, some interesting ideas were put forward by business and labour...and we presented some tentative suggestions as well. I also indicated my readiness to consider possible incentives to encourage the development of "high tech" industry here in Manitoba. We will continue to discuss these and other options with a view to developing a balanced set of programs which will help all regions of the Province.

Of course, much as we would like to achieve it, the $200 million in the Jobs Fund cannot and will not be expected to create a full employment situation in our Province. Our unemployment rate will remain high -- probably unacceptably high -- until there is a major recovery nation-wide.

But -- the Jobs Fund will make a difference...and our aim is to make certain every dollar has the largest possible impact.

At this stage, we expect to allocate a portion of the Jobs Fund to complete programs such as accelerated capital works, and the Manitoba Employment Action Program, and to ongoing activity such as our participation in the "NEED" program.

However, initially, most of the Jobs Fund authority will be allocated in the manner that gives us the flexibility to consider the broadest possible range of options.

And...the legislation to establish the Jobs Fund will give us further flexibility to reallocate authority within it. This will mean even greater latitude to maximize the impact of Jobs Fund investments.

For many individuals in our Province and in our country, the recession has been a crisis...the worst in more than forty years. The Jobs Fund is our response to that crisis. It demonstrates that this Government is listening, responding, and working with Manitobans to build a better future.

Budgetary Summary

Mr. Speaker...earlier I explained that, for 1983/84, the rate of increase in expenditures for general Government programming -- excluding the Jobs Fund, and statutory items which the Legislature isn't required to approve -- will be about 9.5% over the most recent revised estimate for the current year and also about 9.8% over the original, Printed Estimate. To clarify -- that percentage excludes job creation expenditures and statutory expenditures in both 1982/83 and 1983/84. All other items are included.

Even when the Jobs Fund expenditures in the Estimates are included, the growth rate is still moderate -- at 11.7% over the revised total for this year, and 11.6% over the Budget estimate.

I hope Members opposite will acknowledge that these are hardly excessive percentage increases.

However, the addition of uncontrollable, statutory public debt and Hydro rate stabilization costs raises the overall estimates total considerably, and the growth rate as well. The "print" over revised projection for the Estimates total is 15.9%. The "print" over "print" figure is 17.2%.

Mr. Speaker...the last page of the Revenue Estimates I will table later provides what we believe is a more meaningful summary of our Province's budgetary position than has been presented in recent years.

The accounting system remains the same, and the "bottom line" remains the same.

But...we are now displaying, in a clearer way than in the past, the components of our overall budgetary requirements -- that is, the "current" or operating deficit, and the budgetary capital deficit.

At various times, some Members opposite have attempted to argue that this distinction is not significant.

In fact, of course, it is. It is a distinction recognized by the former government in some of its Budgets...by economists...and by investors.

They have indicated on a number of occasions that they are more concerned about deficits for operating expenditures than they are about deficits for capital expenditures of a lasting nature...and we are as well. It is normal and usual to borrow for capital purposes. It is less desirable -- though sometimes necessary -- to have to borrow to finance a portion of operating costs. But...in times of severe economic downturn, it is, quite simply, the correct and most responsible public policy.

Our estimate for 1983/84, based on total expenditures of about $3.3 billion and total revenues of around $2.7 billion is that the operating deficit will be approximately $275 million and the budgetary capital deficit about $304 million. Total budgetary requirements are forecast to be $578.9 million.

Combining the total Jobs Fund expenditures with the rest of the budgetary capital total makes it possible to calculate that close to 57% of our total budgetary requirements are for public investment and jobs. The remainder -- the deficit for general Government operations -- is $249 million.

While the total deficit is obviously larger than the latest estimate for 1982/83, it will be almost exactly the same percentage of total expenditures.

Before Christmas, I indicated that Professor Clarence Barber had agreed to provide our Government with his views on how to make the presentation of our Budget and our other financial statements more useful and informative. He has virtually completed his report and it should be available for tabling reasonably early in the Session. I am advised that Professor Barber's work will include a commentary on the distinction between operating and capital expenditures and will also demonstrate that the assets which have been acquired through public borrowing far exceed in value the size of the public debt related to them. When the report is tabled, the Public Accounts Committeè may well wish to review Professor Barber's comments and suggestions.

Non-Budgetary Capital Requirements

Mr. Speaker...I will also be tabling tonight the summary of our Government's non-budgetary capital authority

requirements for the coming year. Next year, the Crown corporations are planning a capital spending program of around $520 million. They will finance these expenditures with about $67 million in internally-generated funds, $60 million in capital authority which was voted in previous years, and $391.9 million in new authority in this year's Loan Acts.

Of this total, $83 million will be for Jobs Fund investments.

Other major requirements include:

- $185.4 million for Manitoba Hydro,
- $37.8 million for the Manitoba Telephone System, and
- $20.7 million for the Manitoba Agricultural Credit Corporation,

We are now estimating our overall borrowing requirements for the year for both budgetary and non-budgetary purposes at approximately $1.3 billion, including refinancing of issues which become due in 1983/84.

We expect to secure $1.2 billion of our requirements in public capital markets. The remainder will come from off-market sources such as the Canada Pension Plan.

It is now expected that total capital expenditures by the provincial public sector, that is, the money actually spent by Crown corporations and government departments for capital projects, will total around $840 million in the coming year. That represents an increase of about 20% over the total for 1982/83.

The stimulus provided by these expenditures is extremely important for our economy in the short-term. And... the lasting assets produced by this investment will further strengthen our economic base for future development.

CONCLUSION

Mr. Speaker...this Budget makes creating and protecting jobs our number one priority.

It dedicates $200 million to a new Jobs Fund for our Province.

At the same time...this Budget will:

- Protect and improve our existing services
- Guarantee that the costs of these services are met in the fairest possible way, and
- Ensure that the fiscal integrity of the Province remains secure.

It is a Budget which recognizes the realities and the challenges facing our Province...and it is a Budget which deals with them realistically and responsibly. It will help maintain our economy's solid base...a firm base from which to move forward when a national recovery takes hold.

As I said earlier, we faced some hard choices in preparing our Budget last year...but this year, the choices have been even more difficult...and the same is true for every government in Canada.

But...we know that business, labour and the other major sectors of our economy must face equally hard choices.

And the situation is no different for individual Manitobans and Canadians.

We are in a time of uncertainty and great pressure.

Necessarily...it is a time for prudence...but not for inaction. It is a time for innovative, responsible initiatives -- guided by the principle of fairness...and supported by justifiable confidence in Manitoba and its economy.

It is a time for all of us in this Province...and all of us in Canada...to pull together...to share responsibility...to share the burden of the fight against unemployment...and ultimately, to share the benefit of winning that fight, and building a stronger economy.

SUMMARY: 1983/84 BUDGET POSITION

	($ millions)
Current Operating Expenditures	3,010.7
Related Revenues	2,736.0
Deficit for Current Operations	274.7
Budgetary Capital Expenditures	316.0
Related Revenues	11.8
Deficit for Budgetary Capital	304.2
Total Budgetary Requirements	578.9

The Jobs Fund

	($ millions)
Budgetary Appropriations (Current and Budgetary Capital)	72.2
Non-budgetary Capital Supply Authority (New and Carry-Over)	117.8
Sub-Total	190.0
M.G.E.A. Contribution	10.0
Total Jobs Fund	200.0

SUPPLEMENTARY BUDGET MATERIAL

Contents

Appendix A:	FINANCIAL STATISTICS
Appendix B:	ECONOMIC REVIEW
Appendix C:	TAXATION ADJUSTMENTS
Appendix D:	MANITOBA'S PROPOSALS FOR NATIONAL ECONOMIC RECOVERY

Appendix A:

FINANCIAL STATISTICS

Appendix A
FINANCIAL STATISTICS
Table of Contents

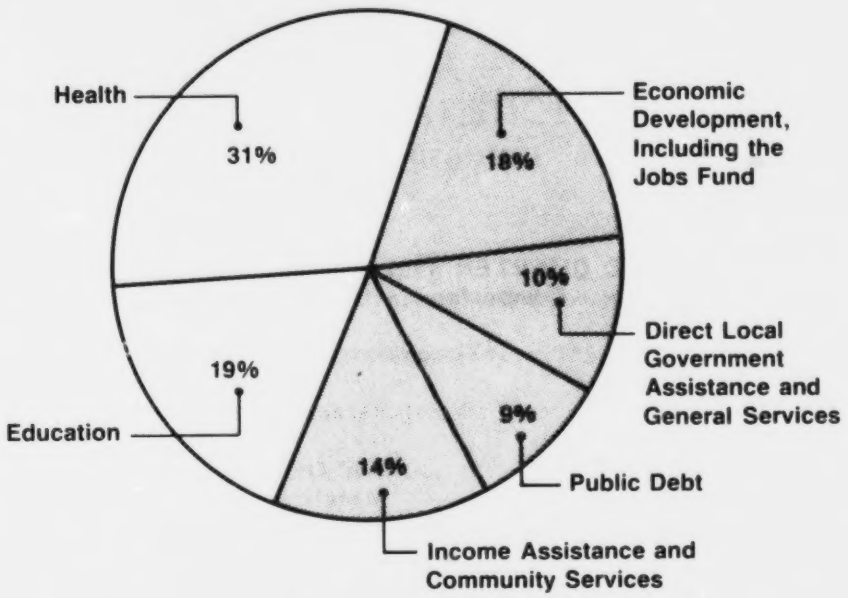
	Page
Third Quarter 1982/83 Financial Statement (Summary)	A 1
Provincial Expenditure by Major Category, 1983/84	A 2
1983/84 Expenditure Estimates (Summary)	A 3
Provincial Revenue by Major Source	A 4
1983/84 Revenue Estimates (Summary)	A 5
Government Expenditures: Interprovincial Comparison	A 6
Government Employees Per Capita: Interprovincial Comparison	A 6
Non-Budgetary Capital Authority, 1983/84	A 7
Statement of Valuation and Purpose of Outstanding Debt	A 8
Direct and Guaranteed Debt by Purpose	A 9
Total Debt Per Capita: Interprovincial Comparison	A 10
Net Refunding Requirements by Fiscal Year	A 11

THIRD QUARTER 1982/83 FINANCIAL STATEMENT:
Comparison with Printed Estimate

(Thousands of Dollars)

	Original March 31, 1983 Printed Estimate	Revised March 31, 1983 Projection
Expenditure (Main and Supplementary)	$2,838,756	$2,871,400
Revenue	2,495,234	2,375,900
Excess of Expenditure Over Revenue	$ 343,522	$ 495,500

Provincial Expenditure Major Categories, 1983-84



☐ - Health and Education 49% ☐ - Other Programs 51%

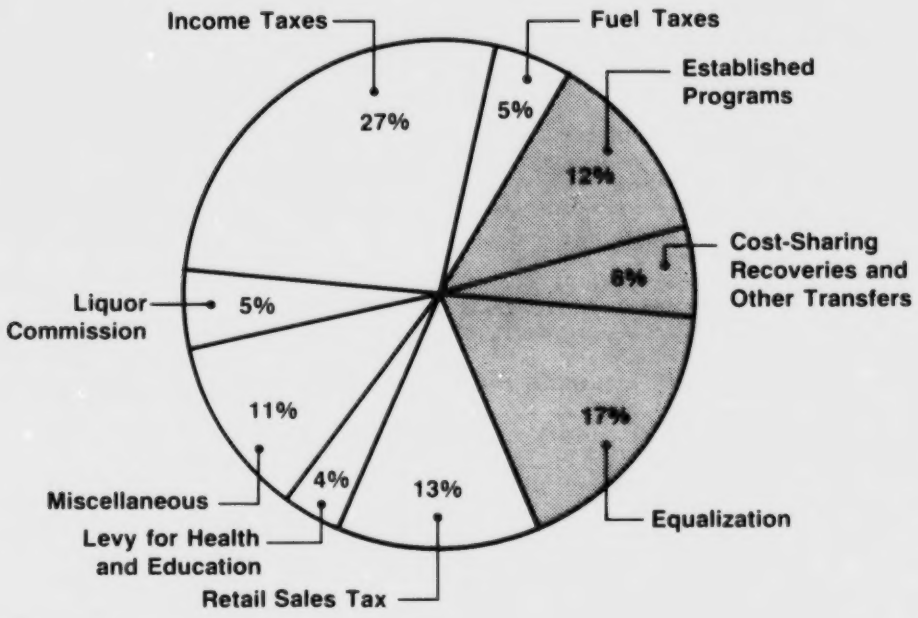
MAIN ESTIMATES	($ Millions)	(%)
Health and Education		
Health	1,023.1	31
Education	618.6	19
	1,641.7	49
Other Programs		
Income Assistance and Community Services	472.7	14
Economic Development, including the Jobs Fund	602.5	18
Direct Local Government Assistance and General Services	327.8	10
Public Debt	282.0	9
	1,685.0	51
TOTAL EXPENDITURES	3,326.7	100

Totals may not add due to rounding.

1983/84 EXPENDITURE ESTIMATES

		1983/84 Estimate	% of Total
Education		$ 618,596,900	18.6
Health		1,023,135,200	30.7
Income Assistance and Community Services		472,672,300	14.2
° Community Services & Corrections	$298,572,300		
° Finance	174,100,000		
Economic Development, including the Jobs Fund		602,523,100	18.1
° Agriculture	$53,923,400		
° Co-operative Development	6,447,000		
° Crown Investments	632,500		
° Cultural Affairs & Historical Resources	16,162,300		
° Economic Development & Tourism	24,780,800		
° Emergency Interest Rate Relief	6,000,000		
° Energy & Mines	14,020,900		
° Environment & Workplace Safety & Health	11,437,500		
° Highways and Transportation	196,488,900		
° Housing	40,434,000		
° Jobs Fund	72,200,000		
° Labour & Employment Services	17,635,400		
° Natural Resources	81,882,100		
° Northern Affairs	24,210,200		
° Canada-Manitoba Enabling Vote	11,083,100		
° Hydro Rates Stabilization	25,185,000		
Direct Local Government Assistance and General Government Services		327,812,100	9.9
° Legislation	$ 6,930,900		
° Executive Council	3,490,100		
° Attorney-General	65,994,200		
° Civil Service	36,551,400		
° Consumer & Corporate Affairs	4,132,000		
° Fitness, Recreation & Sport	3,043,300		
° Finance	19,020,500		
° Government Services	78,174,700		
° Municipal Affairs	35,021,000		
° Urban Affairs	62,154,000		
° Flood Control & Emergency Expenditures	1,000,000		
° Local Government General Support Grant	12,300,000		
Public Debt		282,000,000	8.5
		$3,326,739,600	100.0

Provincial Revenue
Major Sources, 1983-84



☐ - Own Source Revenue 65% ▨ - Federal Transfers 35%

ESTIMATES	($ Millions)	(%)
Own Source Revenue		
Income Taxes	743.7	27
Retail Sales Tax	351.0	13
Fuel Taxes	133.7	5
Liquor Commission	127.0	5
Levy for Health and Education	112.0	4
Miscellaneous	305.1	11
	1,772.5	65
Federal Transfers		
Equalization	455.0	17
Established Programs	329.2	12
Cost-Sharing Recoveries and Other Transfers	191.1	6
	975.3	35
TOTAL REVENUES	2,747.8	100

Totals may not add due to rounding.

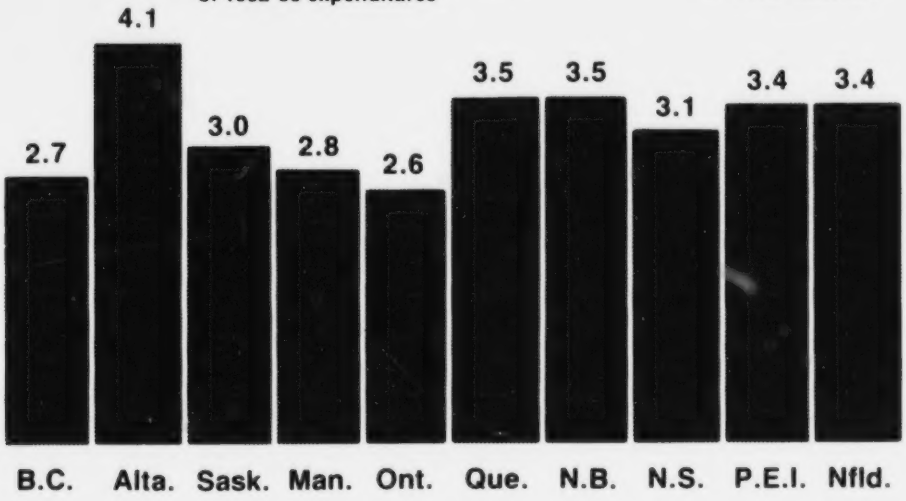
1983/84 REVENUE ESTIMATES

		1983/84 Estimate	% of Total
Income Taxes		$ 743,700,000	27.1
° Corporation Income Tax	$106,900,000		
° Individual Income Tax	636,800,000		
Manitoba Levies & Collections		771,849,000	28.1
° Insurance Corporations Tax	$ 14,640,000		
° Corporation Capital Tax	23,600,000		
° Gasoline Tax	94,700,000		
° Levy for Health & Education	112,000,000		
° Mining Tax	10,000,000		
° Motive Fuel Tax	39,000,000		
° Oil and Natural Gas Tax	14,500,000		
° Retail Sales Tax	351,000,000		
° Revenue Act, 1964, Part I	31,800,000		
° Tobacco Tax	52,300,000		
° Reciprocal Taxation	8,500,000		
° Other	19,809,000		
Other Revenues		129,950,500	4.7
° Fines & Costs	$ 6,000,000		
° Land Titles Fees	6,637,000		
° Minerals	868,400		
° Petroleum	5,946,400		
° Automobile & Motor Carrier Licences & Fees	28,139,000		
° Drivers' Licences	3,199,000		
° Lands	2,577,500		
° Parks	3,912,200		
° Water Resources	11,283,900		
° Others	61,387,100		
Liquor Control Commission		127,000,000	4.6
Federal Transfers		975,319,900	35.5
Unconditional and General Purpose:			
° National Equalization	$455,000,000		
° Established Programs Cash Transfer	329,200,000		
° Government of Canada Subsidy	2,174,000		
° Share of Federal Oil Export Tax	600,000		
Total Unconditional Transfers	$786,974,000		
Conditional - Government of Canada - Shared-Cost Receipts:			
° Community Services & Corrections	$120,124,000		
° Economic Development & Tourism	8,180,200		
° Education	26,255,300		
° Northern Affairs	10,691,200		
° Other	23,095,200		
Total Conditional Transfers	$188,345,900		
		$2,747,819,400	100.0

Government Expenditures
Interprovincial Comparison

Per Capita Expenditures $ Thousands

Calculations based on mid-year estimates of 1982-83 expenditures

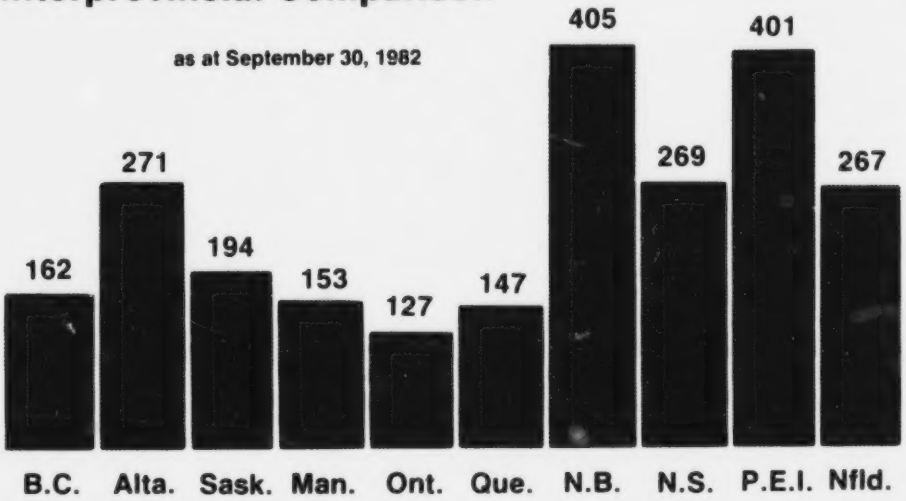


Source: Financial Times; January 17, 1983

Government Employees
Interprovincial Comparison

Employees per 10,000 Residents

as at September 30, 1982



Source: Financial Times; January 17, 1983

1983/84 CAPITAL AUTHORITY REQUIREMENTS FOR NON-BUDGETARY PROGRAMS

The Loan Act, 1983		
Jobs Fund	$20,000,000	
Manitoba Beef Stabilization Fund	10,000,000	$ 30,000,000
The Loan Act, 1983 (2)		
The Manitoba Hydro - Electric Board	$185,370,000	
Jobs Fund	63,000,000	
The Manitoba Telephone System	37,800,000	
The Manitoba Agricultural Credit Corporation	20,654,000	
Manitoba Oil and Gas Corporation	20,000,000	
Manitoba Forestry Resources Ltd.	19,000,000	
Manitoba Mineral Resources Ltd.	5,600,000	
Manitoba Hog Income Insurance Plan	5,000,000	
The Manitoba Water Services Board	3,000,000	
Venture Manitoba Tours Ltd.	1,500,000	
Venture Capital Program	1,000,000	361,924,000
		$391,924,000

GOVERNMENT OF THE PROVINCE OF MANITOBA

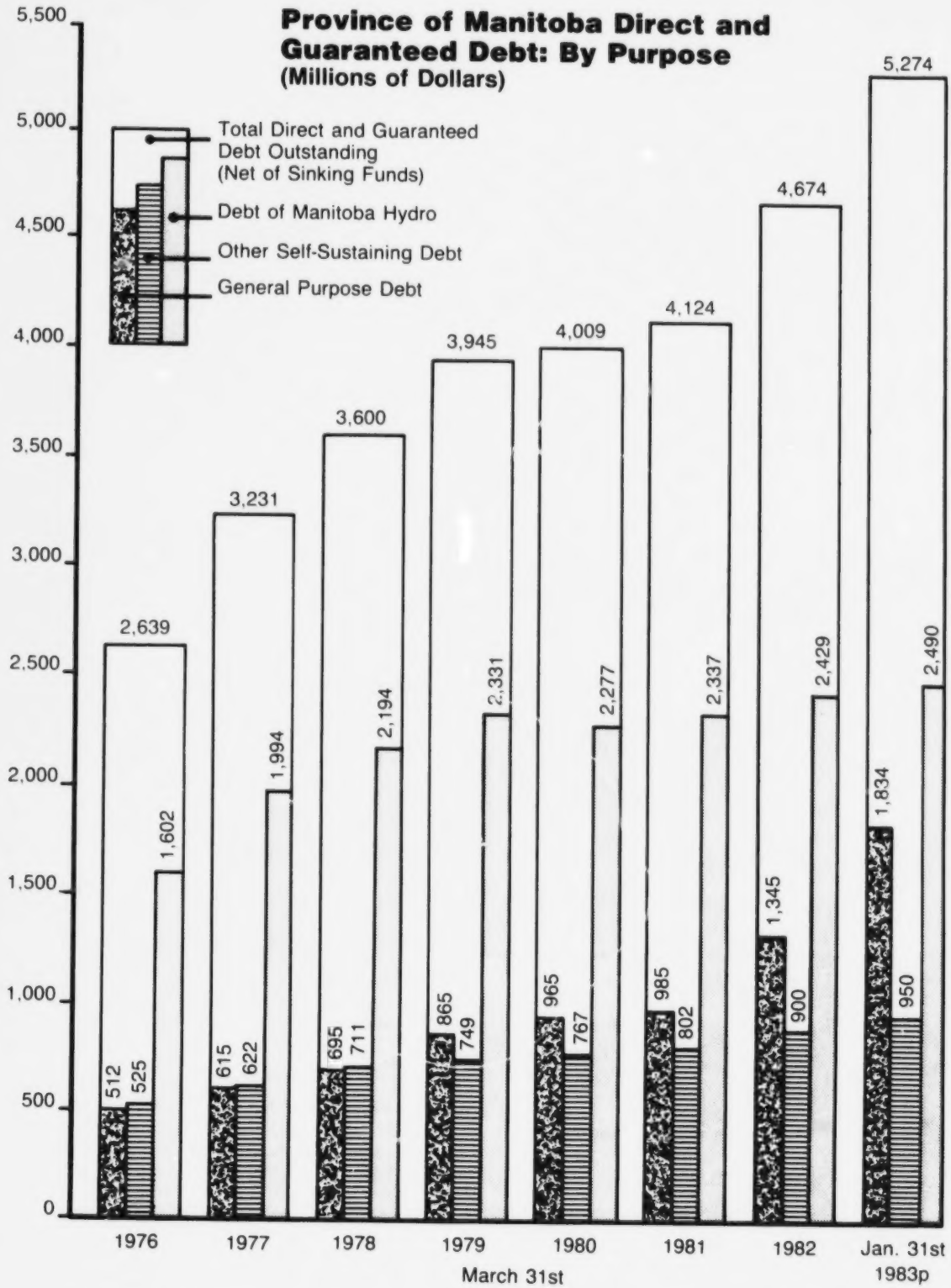
STATEMENT OF VALUATION AND PURPOSE OF BONDS, DEBENTURES AND OTHER LONG TERM DEBT OUTSTANDING

As at January 31, 1983
(in thousands)

VALUATION OF DEBT	Par Value	Canadian Dollar Equivalent at Date of Issue	Exchange Rate as at January 31, 1983	Canadian Dollar Valuation	Foreign Exchange Fluctuation
Direct Debt Payable in:					
Canadian Dollars	1,967,610	$1,967,610	$1.00	$1,967,610	$ -0-
U.S. Dollars	988,000	1,141,151	1.2352	1,220,378	79,227
Swiss Francs	892,000	458,207	.6176	550,899	92,692
European Units of Account	33,625	40,835	1.3578	55,447	14,612
Japanese Yen (1)	42,000,000	188,495	.005250	217,259	28,764
Deutsche Marks	150,000	67,578	.5044	75,660	8,082
Total Direct Debt		3,863,876		4,087,253	223,377
Guaranteed Debt Payable in:					
Canadian Dollars	950,816	950,816	1.00	950,816	-0-
U.S. Dollars	926,000	930,904	1.2352	1,143,795	212,891
Swiss Francs	160,000	56,114	.6176	98,816	42,702
Deutsche Marks	55,000	16,841	.5044	27,742	10,901
Pounds Sterling	1,914	4,036	1.89	3,617	(419)
Total Guaranteed Debt		1,958,711		2,224,786	266,075
Total Direct & Guaranteed Debt		5,822,587		$6,312,039	$489,452
Less: Sinking Funds		548,684			
Net Direct and Guaranteed Debt		**$5,273,903**			
PURPOSE OF DEBT					
General Government Programs		$2,110,881		$2,203,499	$92,618
Other:					
The Manitoba Hydro-Electric Board		2,702,758		3,036,736	333,978
The Manitoba Telephone System		558,640		619,666	61,026
The Manitoba School Capital Financing Authority		215,225		215,225	-0-
The Manitoba Agricultural Credit Corporation		103,502		104,319	817
Manitoba Data Services		11,002		11,002	-0-
The Manitoba Housing & Renewal Corporation		59,405		60,418	1,013
The Manitoba Water Services Board		18,337		18,337	-0-
Federal-Provincial Loan Agreements		7,712		7,712	-0-
Universities		26,080		26,080	-0-
Municipal, Hospital & Other Indebtedness		9,045		9,045	-0-
		3,711,706		4,108,540	396,834
Total Direct & Guaranteed Debt		5,822,587		$6,312,039	$489,452
Less: Sinking Funds		548,684			
Net Direct and Guaranteed Debt		**$5,273,903**			

(1) 27 Billion Yen of the Province's Japanese Yen liabilities have been converted to U.S. Dollar liabilities by way of Currency Exchange Agreements negotiated with major international banks.

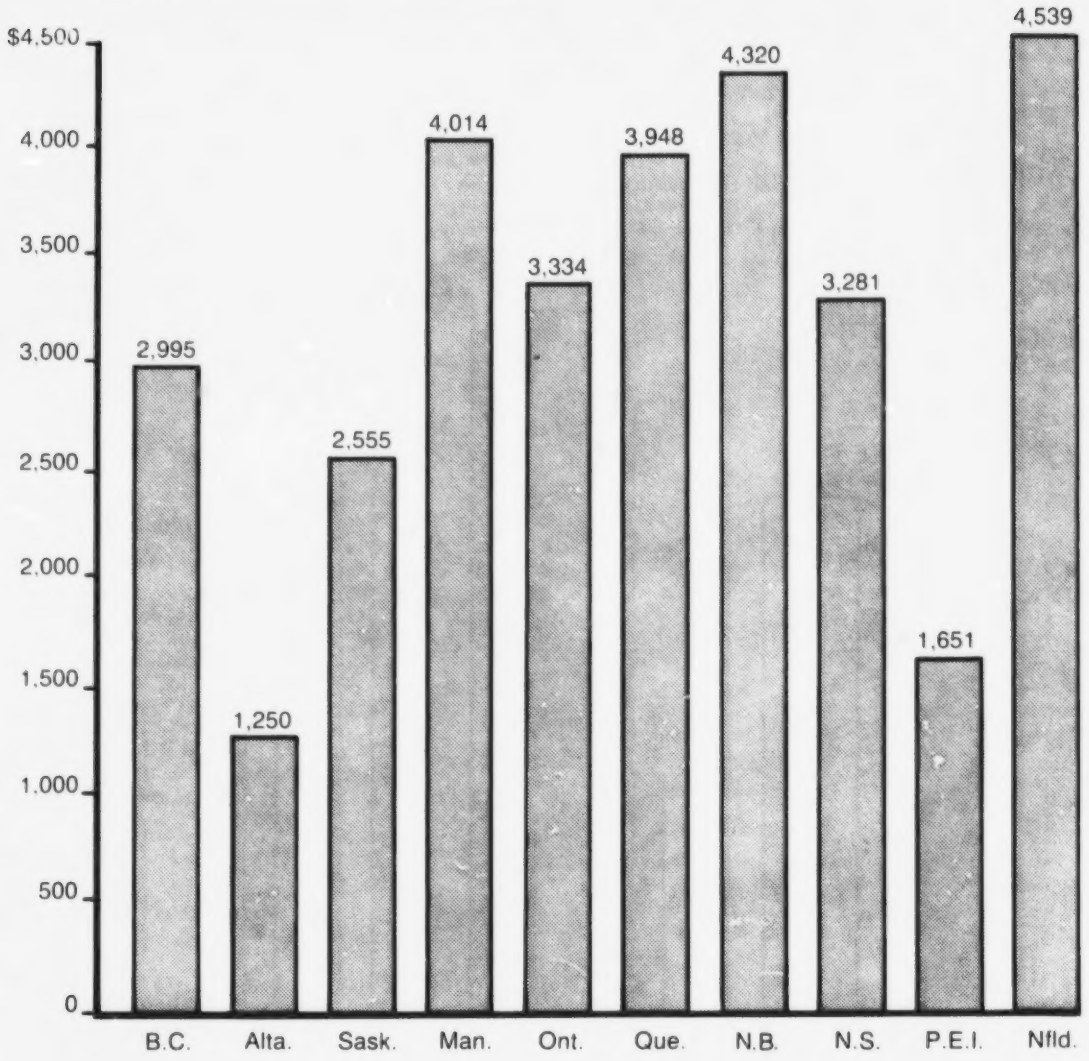
Province of Manitoba Direct and Guaranteed Debt: By Purpose
(Millions of Dollars)



p - preliminary

Note: **The above table indicates the Total Direct and Guaranteed Debt of the Province of Manitoba (after deducting Sinking Funds) based on the Canadian Dollar Equivalent on the date of issue for all foreign debt.**

Provincial Total Debt Per Capita Comparison
(as of March 31, 1981)

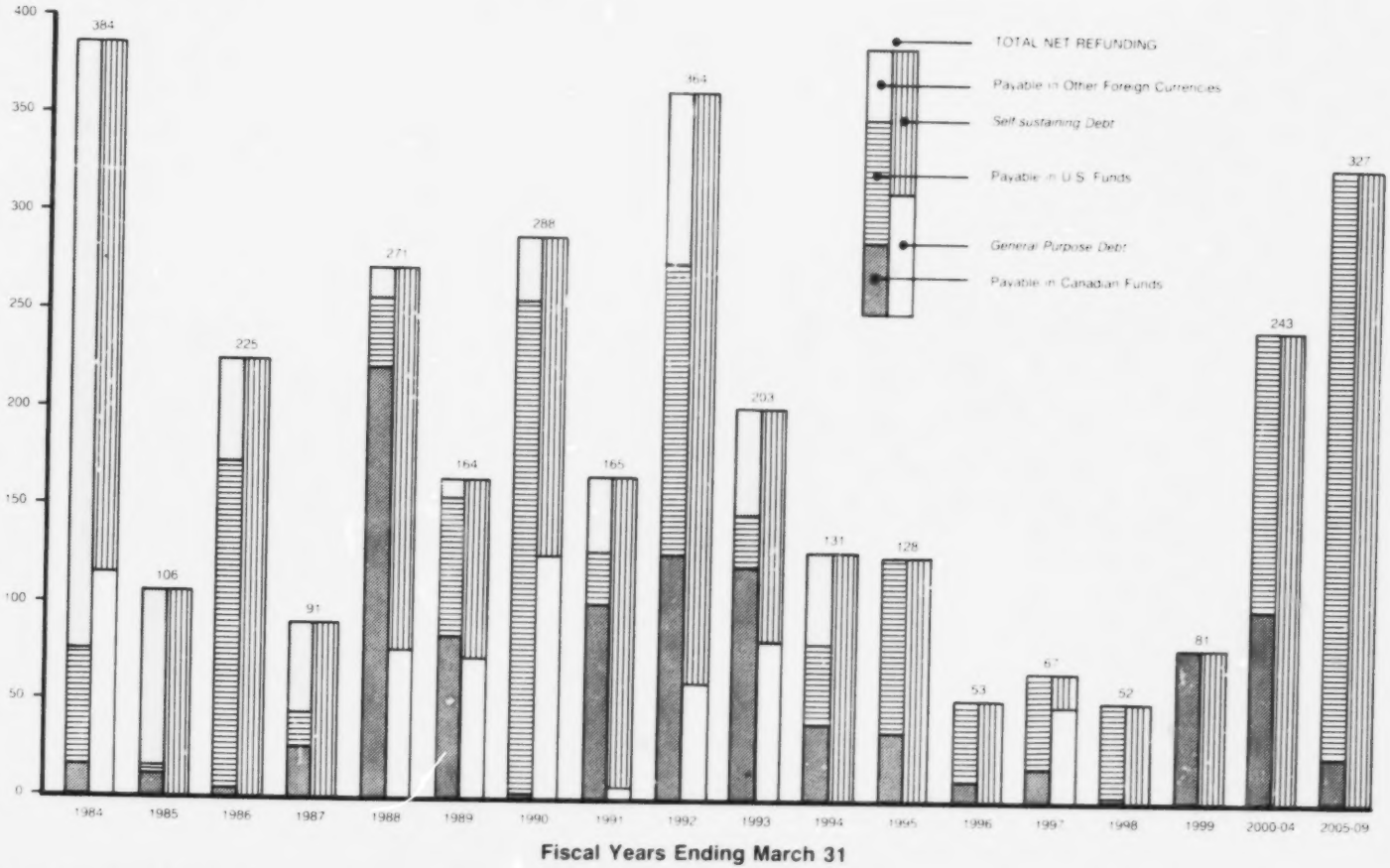


Province	March 31, 1980	March 31, 1981	Increase Per Cent
Newfoundland	4,346	4,539	4.44
Prince Edward Island	1,435	1,651	15.05
Nova Scotia	2,812	3,281	16.68
New Brunswick	4,153	4,320	4.02
Quebec	3,445	3,948	14.60
Ontario	3,108	3,334	7.27
Manitoba	3,954	4,014	1.52
Saskatchewan	2,312	2,555	10.51
Alberta	1,218	1,250	2.63
British Columbia	2,788	2,995	7.42

Source: Bank of Montreal - Provincial Summaries, July, 1982 (except Quebec)
Quebec - Province of Quebec Prospectus, October, 1981

Province of Manitoba Direct and Guaranteed Debt Net Refunding Requirements by Fiscal Year: By Currency of Payment and Purpose as at January 31, 1983

(Millions of Dollars)



Note: The above table indicates the amount that the Province of Manitoba will have to borrow for the purpose of repaying Direct and Guaranteed Debt after application of sinking funds based on the Canadian Dollar Equivalent on January 31, 1983 for all foreign debt.

Appendix B:

ECONOMIC REVIEW

Appendix B
ECONOMIC REVIEW
Table of Contents

	Page
CANADA	B 1
MANITOBA	B 5
Labour Market	B 5
Incomes	B 7
Prices	B 8
Investment	B 10
Sectoral Analysis	B 12
Goods Sector	B 13
Agriculture	B 13
Forestry	B 16
Fishing	B 17
Mineral Resources	B 17
Manufacturing	B 20
Housing	B 21
Energy	B 23
Service Sector	B 24
Transportation and Communications	B 25
Trade	B 26
Finance, Insurance and Real Estate	B 27
Tourism	B 28
OUTLOOK	B 30
ECONOMIC STATISTICS	B 33

CANADA

The degree of weakness in international economic conditions in 1982 was unexpected. Although recovery was generally anticipated in the second half of the year, it failed to materialize and real declines are now estimated for GNP in the OECD area and in world trade.

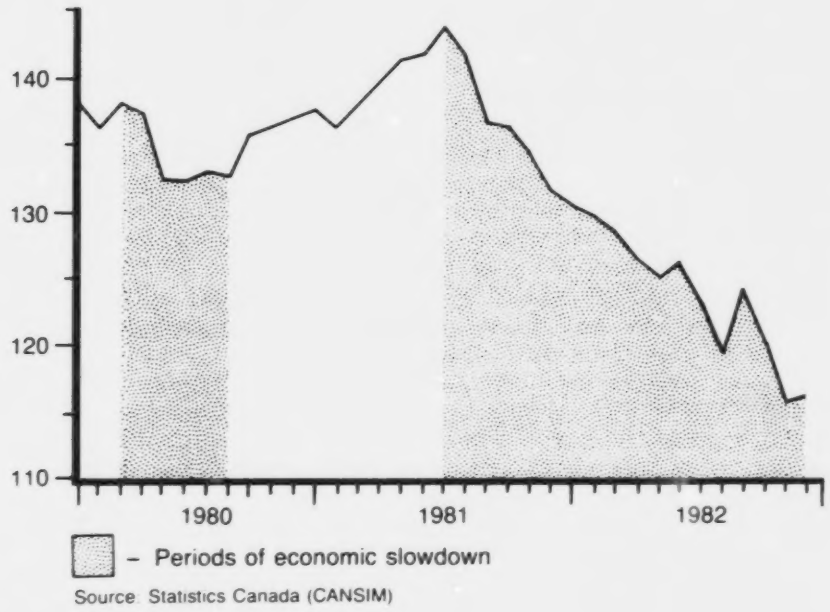
In Canada, the recession which began in mid-1981 continued unabated throughout 1982, confirming it as the most severe in post-depression history. In the face of the downturn, the basic thrust of fiscal policy remained restrictive, and while some noticeable slowing of inflation occurred by year-end, it was largely at the expense of $35-40 billion in lost output and close to one-half million lost jobs. Inflation, as measured by the annual change in the Consumer Price Index (CPI), declined by about 25% over the course of 1982 while the unemployment rate rose by almost 50%. Inflation averaged 10.8% while unemployment averaged 11.0% of the labour force in 1982. Real declines in personal income and corporate profits contributed to real declines in consumer spending and business investment. Almost 11,000 business bankruptcies were recorded in 1982, an increase of more than one-third from the record levels of 1981.

Towards the end of 1982, Canadian inflation, on a quarterly basis was below 7%, and although these gains are in large part expected to be maintained in 1983, the unemployment rate is anticipated to rise to about 13%.

Chart 1 traces the course of the current recession as well as the 1980 recession which preceded it. Between June, 1981 and November, 1982 industrial production declined by almost 19%, while real Gross Domestic Product, that is, total output in Canada, is estimated to have declined by 7-8%. Although some indicators such as increased consumer and business confidence and improved business conditions in the manufacturing sector suggest that the Canadian economy has reached the bottom of the recession, it is not expected that an improvement in production and final sales, even if it does begin in the first quarter of 1983, will become generally apparent and result in significant employment growth until the second half of the year.

Chart 1

Index of Industrial Production - Canada, 1980-82
(1971 = 100)



Source: Statistics Canada (CANSIM)

In November, 1982, Bank of Canada Governor Gerald Bouey confirmed the abandonment of the narrowly defined money supply, M1, as the major monetary policy guide. Mr. Bouey indicated that for technical reasons the monetary growth targets associated with M1 had become unreliable and, as a result, the Bank is currently considering a broader range of indicators. Among the indicators being used by the Bank to provide a guide for monetary policy decisions are the exchange rate, credit conditions, inflation and some form of monetary aggregate. Mr. Bouey stated that this change will likely allow the Bank greater flexibility in meeting its policy objectives, the most important of which remains relative price stability.

The Bank has also sought to stabilize and maintain the value of the Canadian dollar relative to its United States counterpart, particularly over the past year and a half. Since Canada is a small open economy with trade accounting for approximately a third of Gross National Product, currency

fluctuations have had an important impact on inflation and trade. The higher inflation rate in Canada and efforts to support the dollar, have both tended to keep interest rates higher than the corresponding rates in the United States.

In 1982, interest rates were somewhat less volatile than in 1981. Thirty-day corporate paper rates, which began the year at 14.70%, peaked in mid-year at 16.45% and then fell to 10.35% by year-end. One year mortgage rates which were 17.5% in January, were driven up to a peak of 19.0% in June and declined to 12.5% by December. While this pattern was evident across a broad spectrum of interest rates in 1982, lesser declines in long term rates re-established a more normal yield curve by year end. Although lower rates have continued into 1983 and have provided some cash flow relief for businesses and homeowners, weak demand for credit is expected to persist. This may allow for futher declines in interest rates.

It is noteworthy that unlike in most previous post-war recessions, North American interest rates have not declined significantly in real terms. Many analysts are concerned that in order to achieve a sustained recovery further declines in nominal interest rates and possibly negative real interest rates will be required.

Since Canadian monetary policy continues to follow that of the United States, policy changes by the Federal Reserve Board in the United States must be regarded as a major source of uncertainty in the outlook for 1983. If borrowing pressure in the United States or perceptions of renewed inflation are met by raising U.S. interest rates, a corresponding rise in Canadian interest rates may be imposed to maintain the value of the Canadian dollar. This could undermine prospects for recovery in 1983. The harsh lessons of 1982 suggest further recession is not an effective policy tool to fight inflation and that a decline in the exchange rate would be preferable to more bankruptcies, unemployment and mortgage foreclosures.

The economic cost of the narrow preoccupation with inflation has been aggravated by the absence of an effective economic development strategy for Canada.

The Government of Canada had been following a mega-projects strategy for some time which was formalized with the November, 1981 federal Budget. It was a strategy with a limited focus on a few, large resource development projects, particularly energy related developments. As the recession worsened, demand for resources dropped, energy prices stabilized

and then declined, and the difficulties inherent in such an industrial strategy became obvious.

A more broadly based economic development strategy to address the need to strengthen all sectors within the economy is required. An effective economic development strategy should emphasize the value of supporting and encouraging the large number of smaller and medium sized firms in Canada in a sustained, focused effort to meet the needs of the Canadian market and to increase international competitiveness and trade in finished goods and services as well as in natural resource products.

A clear and broadly based development strategy will contribute to the realization of the aspiration of all Canadians for full and meaningful participation in our economic, social and cultural life.

At the December, 1982 Finance Ministers' Conference, all governments recognized the gravity of the recession and stressed the importance of policies supportive of a national recovery. Manitoba, along with a number of other governments, urged the implementation of a national strategy, including a major accelerated capital investment program, with the twin objectives of alleviating the unemployment crisis and utilizing currently idle plant capacity in the short term and adding to the productive potential of the economy in the long term. Although the federal government has not yet indicated its specific intentions with respect to new investment initiatives, it has requested that all provinces submit specific capital project proposals which could be included in a national economic recovery strategy. Manitoba submitted an initial project list in early February, 1983.

MANITOBA

In the context of the most severe recession in Canada's post-depression experience, Manitoba's economic performance in 1982 ranks among the best of all provinces. However, although Gross Provincial Product increased 5.4% to $13.8 billion in 1982, the latest recession is estimated to have cost the Manitoba economy in the order of $1 billion in lost output in 1982.

According to estimates from the Conference Board of Canada, the decline in real Gross Domestic Product of over 3% in Manitoba compares favourably with the over 5% decline for Canada as a whole. While the later onset of the 1981-82 national recession in Manitoba and sustained growth in individual sectors has played an important role, the Province's diversified industrial structure has also contributed to relatively better performance. As with output, employment losses in Manitoba were relatively mild compared to most other provinces and much less severe than for the country as a whole. In 1982, employment in Manitoba averaged 1.1% lower than in 1981, while in Canada it averaged 3.3% lower.

Labour Market

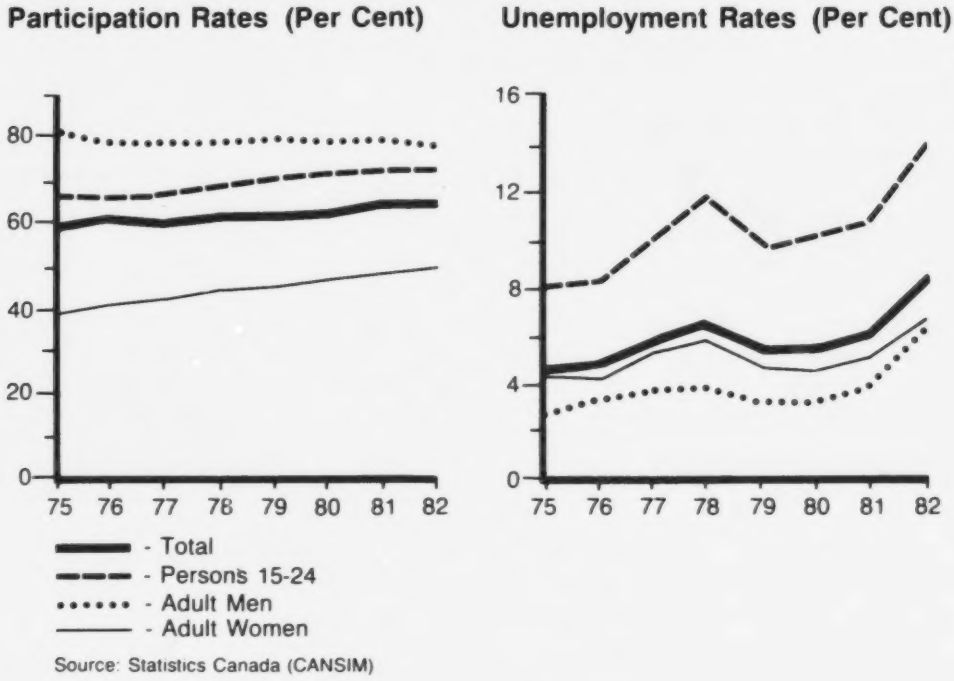
In 1982, total employment in Manitoba averaged 457,000, some 5,000 fewer than in 1981. Most of the lost employment was concentrated among the goods producing industries with mining, manufacturing and forestry being the most affected. In the service sector, higher levels of employment were recorded in wholesale and retail trade, as well as health and business services. Since men 25 years of age and over account for a larger share of employment in the goods sector and a smaller share in the service sector, these developments contributed to an overall decline in employment among prime age men and an increase among prime age women.

Manitoba's labour force grew at a slightly faster rate in 1982 than 1981. The major factors contributing to this increase were a reversal of the net interprovincial out-migration trend and slightly higher labour force participation rates. With respect to the first factor, 1975 was the last year that more Canadians moved to Manitoba than left for other provinces. The net interprovincial in-migration to Manitoba experienced in 1982 can be attributed, in large part, to the sharper economic declines and relatively poorer employment prospects elsewhere in Canada. In June, 1982, Manitoba's population stood at 1,035,900, almost 10,000 higher than in 1981.

In response to weakened labour market conditions, labour force participation rates declined in all provinces except Manitoba and Saskatchewan in 1982. The slight increase in the participation rate to 65.1% in Manitoba resulted mainly from increased participation among adult women, although the rate of increase was somewhat slower than in previous years. This increase more than offset the declines among young people and adult men (see Chart 2). The decline in these participation rates can probably be ascribed to the "discouraged worker" effect -- people who decided not to look for work because the likelihood of finding work was low.

Chart 2

Participation and Unemployment Rates Manitoba, 1975-82



Source: Statistics Canada (CANSIM)

With more people looking for jobs and with fewer jobs available, there was a dramatic increase in unemployment throughout Canada in 1982. While the effects were somewhat muted in Manitoba because of its stronger economic performance

early in the year, the total number of unemployed persons averaged 42,000 in 1982, 13,000 more than in 1981. Higher levels of unemployment and unemployment rates were registered among virtually all groups. As can be seen in Chart 2, the sharpest increase in unemployment was among prime age men. The unemployment rate for this group increased to 6.3% in 1982 from 3.9% in 1981, with the number of unemployed adult men rising to 14,000 from 8,000. In relative terms, the increase in the unemployment rates for young people and prime age women was about half as severe. In fact, by the fourth quarter of 1982, the unemployment rate for prime age men was higher than for prime age women for the first time since detailed labour force statistics were first collected in 1966.

Incomes

Preliminary estimates for 1982 indicate that total personal income increased by 9.9% to $12,190 million. Wages and salary income increased by about 9% in 1982 to an estimated $7,050 million, a growth rate somewhat lower than the 13% recorded in 1981. This slowdown was due primarily to lower levels of employment and the shift in employment away from higher paying jobs in the goods producing sector to lower paying jobs in the service sector. In addition, there was a general reduction in the length of the workweek and much of the new employment in the service sector was part-time. Total net farm income, estimated at $297 million, was about 34% lower than in 1981 due primarily to the lower value of farm inventory change. Realized net income or the cash position of farmers showed a modest decline over the previous year. Although interest rates averaged lower in 1982 than in 1981, interest, dividend and investment income earned by Manitobans rose to an estimated $1,900 million, almost 20% higher than in 1981. Higher levels of unemployment raised the level of government transfers to persons in 1982 to about $1,660 million, 20% greater than in 1981. Non-farm unincorporated business income is estimated to have grown by less than 4%, substantially lower than the rate of inflation.

Real wages and salaries and supplementary labour income per paid worker rose by an estimated 0.6% in 1982. This increase follows a year of zero growth in 1981 and declines in the previous four years. The slight increase in real wages per employed person does not account for lost income due to unemployment.

The high interest rate policies of recent years and the recession have had major impacts on the distribution of personal

income. For example, interest, dividend and investment income has risen from less than 10% of personal income in 1977 to 15.6% in 1980. Transfer income which had comprised a fairly stable share of total income from 1977 to 1981, at about 12.5%, increased mainly as a result of higher unemployment to an estimated 13.6% in 1982. About two-thirds of personal income in the late 1970's was accounted for by wages, salaries and supplementary labour income, however, the share was reduced to 62.3% of the total by 1982. Farm income has demonstrated the greatest year-to-year volatility but also declined in 1982 while unincorporated business income continued to decline as a share of the total.

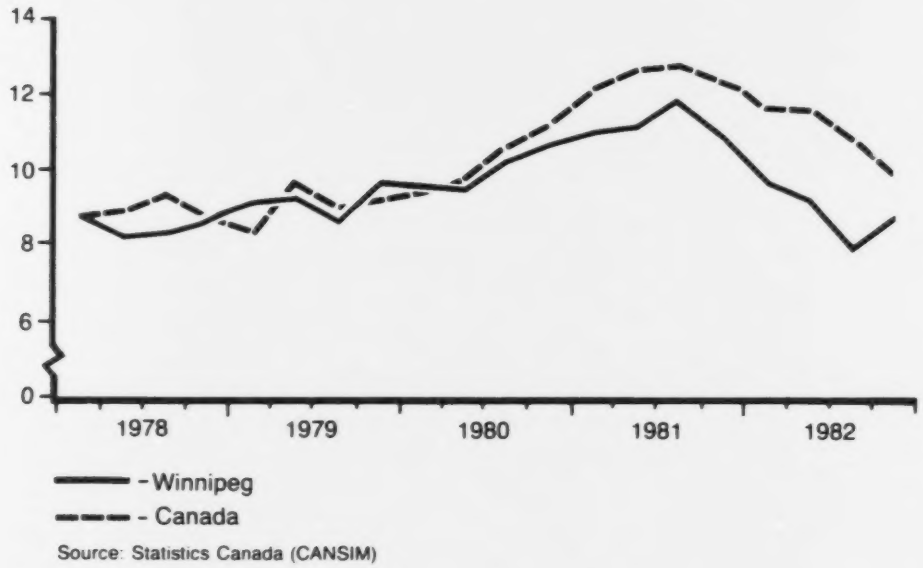
Effective July 1, 1982, the minimum wage in Manitoba was increased to $4.00 per hour from its previous rate of $3.55 per hour.

Prices

In 1982, inflation in Manitoba, as measured by the Consumer Price Index (CPI) for Winnipeg slowed to 8.8% from the 11.1% recorded in 1981, while the CPI for Canada decelerated to 10.8% from 12.5%. As in 1981, the increase in the CPI for Winnipeg in 1982 was the lowest of any major centre in Canada.

Chart 3

Consumer Price Index
Winnipeg and Canada, 1978-82
(Annual Per Cent Change)



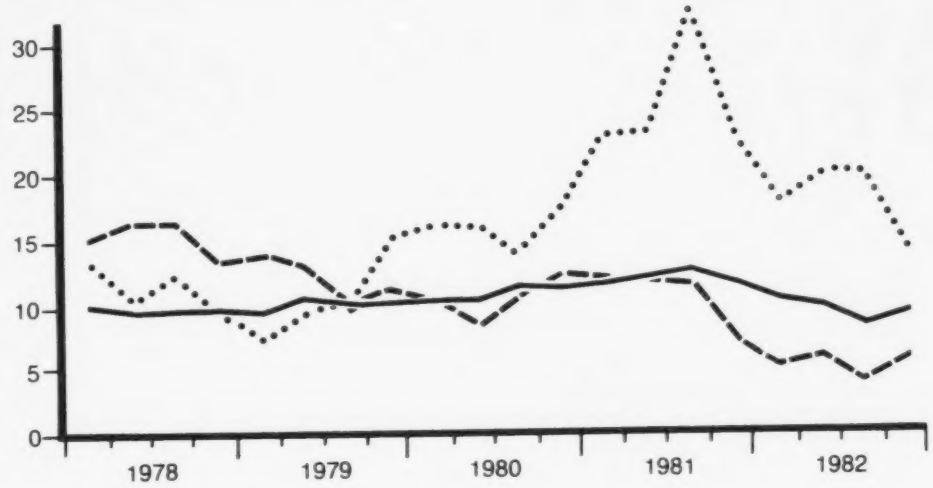
Source: Statistics Canada (CANSIM)

Lower price increases for food, shelter and energy have all contributed to keeping the rate of increase in the CPI below the national average. In addition, in 1982 the Provincial Government's success in limiting increases in a number of fees and charges such as electricity rates, post-secondary tuition and public transit fares has contributed to Winnipeg's better inflation performance. Chart 3 shows the relative growth rates in consumer prices for Winnipeg and Canada. From September, 1980 to November, 1982, the increase in the CPI for Winnipeg on a year-over-year basis has been consistently below that for Canada as a whole.

Chart 4 traces the movement of consumer prices for the all items index and two of its more volatile components, food and energy. As is evident in the chart, energy prices have, over the 1980-82 period, led price increases in the rest of the economy, however, since the third quarter of 1981 they have been on a downward trend. This has contributed to some of the improvement in the CPI over this period. From about the same time as the deceleration in energy prices, food price increases have been lower than those for the all items index and have provided a moderating influence on the overall CPI growth.

Chart 4

Consumer Price Index - Winnipeg, 1975-82
(Annual Per Cent Change)



——— - All Items
– – – – - Food
••••••••• - Energy

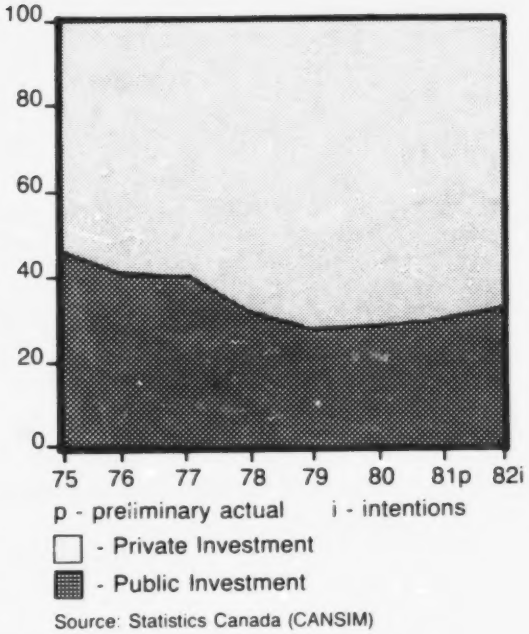
Source: Statistics Canada (CANSIM)

Investment

Capital investment in Manitoba declined sharply in 1982 in both current dollar and real terms. Statistics Canada, in its mid-year review of private and public investment intentions, estimated that, in current dollars, capital investment in Manitoba would decline by about 7% to just over $2.1 billion. This represented a substantial downward revision from its earlier estimate and reflected the greater than expected severity of the recession. Subsequent quarterly national accounts estimates and more recent surveys, such as the Department of Industry, Trade and Commerce's survey of large companies, suggest that actual investment in 1982 was even lower. It appears that, in all likelihood, estimates for 1982 capital investment for Manitoba, as indeed for all other provinces, will be revised downward with the release of the results of Statistics Canada's next investment survey scheduled for March, 1983.

Chart 5

Capital Investment
Manitoba, 1975-82
(Per Cent of Total)



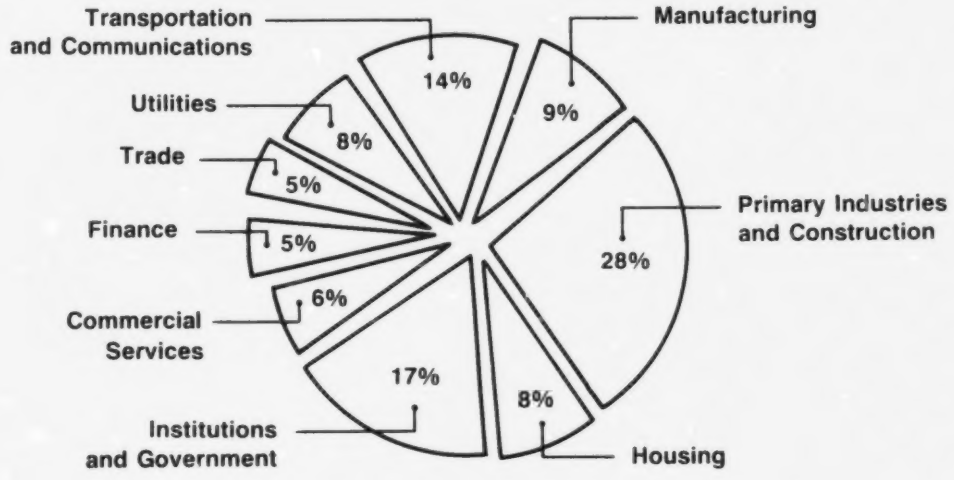
Source: Statistics Canada (CANSIM)

The private sector accounted for two-thirds of total new capital investment in the Province in 1982 while the remaining one-third was initiated in the public sector. The increase in the public sector's share of total new capital investment, which is shown in Chart 5, was primarily the result of a slowdown in private sector investment in recent years. Declines in private sector investment were concentrated in residential construction which fell by an estimated 34% in 1982. Non-residential private sector investment, meanwhile, declined by about 7%. Of this total, machinery and equipment purchases declined by 3% while construction expenditure fell by about 9%. Between 1981 and 1982, public sector investment increased 6% in current dollar terms.

Chart 6

Capital Investment by Industry — Manitoba, 1982

(Per Cent of Total)



Total Value of Capital Investment, $2,133.8 millions

Note: **Data are based on revised intentions.**

Primary Industry and Construction includes agriculture, forestry, fishing, mining and construction.

Government enterprises are included in the industry group in which they operate.

Source: Statistics Canada (CANSIM)

As indicated in Chart 6, over one-quarter of all capital investment in the Province in 1982 was in primary industries and construction. Most of this investment was concentrated in the agriculture and mining sectors. Once account has been taken of the significant shifts in capital investment in utilities, housing and manufacturing, the relative investment shares of all other sectors have exhibited remarkable stability since 1976. With no major hydro developments currently being undertaken, utilities' share of total capital investment in Manitoba has fallen from a high of 20% in 1976 to about 8% in 1982. Similarly, housing's share has fallen from its peak of 26% in 1978 to about 8% in 1982.

Only in the area of manufacturing has investment increased appreciably relative to other sectors. Over the 1976-82 period, it is estimated that manufacturing investment increased at an average annual rate of almost 17% compared with a national increase of 14%. However, these relatively high rates of growth should be interpreted in light of the aging capital stock in the manufacturing sector. Significant capital investment in plant modernization and upgrading will be required to preserve and enhance the capacity and efficiency of the manufacturing sector over the longer term.

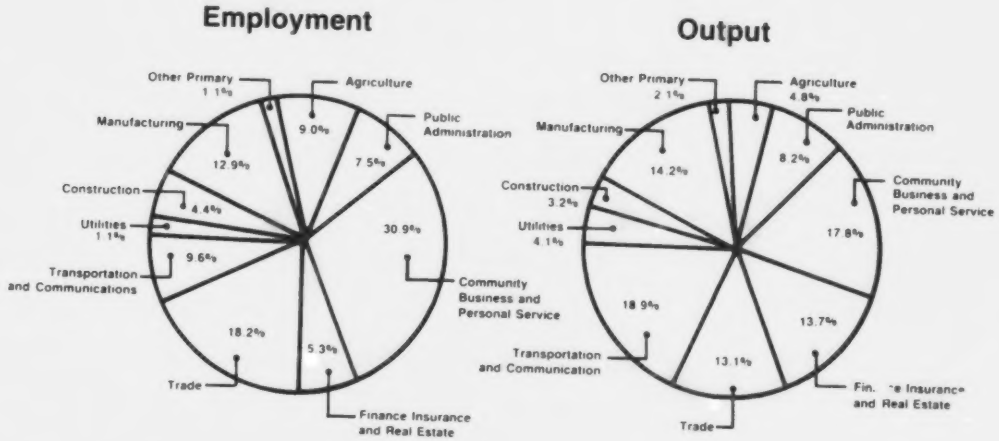
Sectoral Analysis

As mentioned in the introduction, the structure of the Manitoba economy has played a key role in forestalling a more precipitous decline in economic activity in 1982. While it is difficult to express satisfactorily the importance of individual sectors without reference to their linkages with industries in other sectors, some appreciation of the relative contribution of the different sectors can be obtained by comparing shares of output and employment (see Chart 7). In 1982, the service sector accounted for approximately 72% of total output and employment in Manitoba. In 1975, it accounted for only 69% of output and 68% of employment. Over this period, the share of both output and employment in the goods sector has declined. As a result, it was the service sector which provided the major stimulus for growth over the 1975-82 period and cushioned the overall impact of the decline in goods production in 1982.

Chart 7

Employment and Output Shares of Industry Manitoba, 1982

(Per Cent of Total)



Note: **Other Primary includes mining, forestry and fishing.**

Source: Statistics Canada and the Conference Board of Canada.

Goods Sector

As in the case of the national economy, the recession had its greatest impact on the goods sector of the Manitoba economy. Although most of the Province's goods producing industries were affected to at least the same extent as in the rest of Canada, because they accounted for a smaller portion of real output in Manitoba, they had a proportionately smaller impact on total output, employment and incomes. In Manitoba, the goods producing sector, excluding agriculture, accounted for about 23% of real Gross Domestic Product in 1982 while in Canada it accounted for 33%. The only major exception to the decline in goods production in Manitoba was agricultural output.

Agriculture

With output falling in all other areas of the goods sector, the increase in agricultural production stands out in marked contrast. It is estimated that in 1982, real agricultural output in Manitoba increased by nearly 5% while a slight decline was recorded at the national level. Given that output from the

agricultural sector contributes about twice as much to the Manitoba economy as it does to Canada's as a whole, it proved to be a major source of strength in 1982, as it was in the previous year.

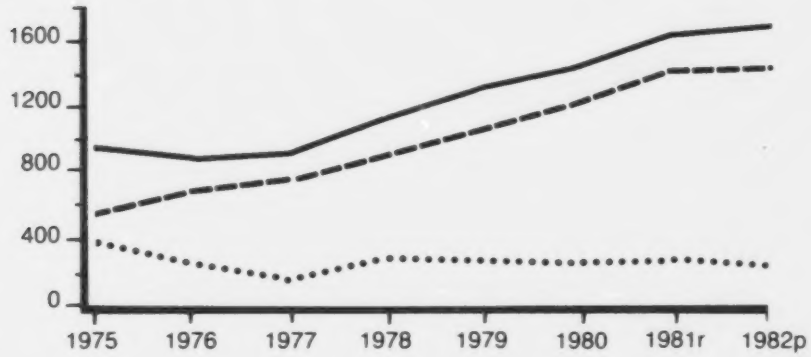
Although output was up considerably, prices were generally down resulting in a modest 1.7% rise in the total value of farm production from $1,991 million in 1981 to $2,026 million in 1982.

Manitoba farm cash receipts, buoyed by strong grain exports, recorded a modest 1.6% increase from $1,655 million in 1981 to an estimated $1,681 million in 1982. However, total farm expenses rose by 3.0% in 1982 compared with more than 17% in 1981, and realized net income recorded a 6.1% decline to about $245 million (see Chart 8). The lower rate of increase in farm expenses was accounted for by declines in input costs for items such as feed, fertilizer and interest payments and lower machinery depreciation costs due to fewer new equipment purchases.

Chart 8

Farm Cash Receipts, Expenses and Realized Net Income - Manitoba, 1975-82

(Millions of Dollars)



r - revised p - preliminary

——— - Farm Cash Receipts

– – – - Expenses

..... - Realized Net Income

Source: Manitoba Department of Agriculture

Along with the tightened cash position of the farm sector in 1982, as indicated by the realized net income estimates, the lower value of farm inventory change compared with 1981 resulted in a 34.3% decrease in net farm income. In 1981, the value of farm inventories increased by $191 million, but inventory change amounted to only $52 million in 1982. As a result, net farm income is estimated to have declined to $297 million in 1982 from $452 million in 1981.

Total crop receipts in 1982 increased by 1.8% to $1,005 million from $987 million in 1981. Receipts for wheat and canola rose 7.8% and 24.0%, respectively. In contrast to these improvements were declines in receipts for rye and flaxseed of 24.8% and 23.0%, respectively. In spite of a late-summer frost, overall growing conditions were favourable in 1982 and Manitoba farmers produced their second consecutive bumper crop. Production records were established for wheat and barley, eclipsing their 1981 marks, and yields for wheat, oats, barley and flaxseed surpassed records established in 1977. However, quality and yields of canola, buckwheat and corn were severely affected by the frost.

Cash receipts for livestock and other products including dairy, poultry, eggs and honey increased 7.5%, from $619 million in 1981 to $666 million in 1982. Much of the increase in this component can be attributed to a 17.0% increase in hog receipts, almost all of which was due to higher prices. The Department of Agriculture, in cooperation with hog producers, is in the process of establishing a stabilization program to come into effect in the spring of 1983, to help Manitoba's hog producers protect themselves from the worst effects of widely fluctuating prices.

Despite a modest decline in prices, 496,700 cattle and calves were marketed in 1982, 8.7% higher than in 1981. As a result, cash receipts increased by 4.1% to $299 million. The Beef Income Stabilization Program was introduced in 1982 with a start-up grant of over $13 million from the Provincial Government. The more than 6,100 beef producers who participated in the program represent over 60% of all beef producers and account for almost 70% of all beef cattle in the Province.

Cash receipts for dairy producers in 1982 increased 10.7% to $96 million. Total milk production, at almost 260 million hectalitres, was 0.3% greater in 1982 than in 1981. Cream production meanwhile was 6.3% lower. Total consumption of dairy products continued to fall in Canada, resulting in a 2.7%

reduction in Manitoba's dairy quota in 1983. Supplementary dairy payments fell by about 2.5% in 1982 to $10 million. Lower egg prices resulted in a 3.9% decline in cash receipts for Manitoba's egg producers in 1982.

Forestry

The total volume of wood produced in logging operations in Manitoba decreased by 20% during 1982 to about 2.0 million cubic metres compared with 2.5 million cubic metres in 1981. However, employment losses were cushioned to some extent as the industry continued to maintain inventories at relatively high levels. Roundwood inventories were estimated at 632,000 cubic metres in 1982. This compares with 657,000 cubic metres in 1981 and 514,000 cubic metres in 1980.

The value of logging shipments also declined during 1982 to an estimated $56.1 million, down 17.6% from $68.1 million recorded in 1981.

In the face of declining demand in the United States housing and forest products markets, the 1982 value of production of primary wood manufacturers (which includes sawmilling and pulp and paper), is estimated to have declined to $127.1 million, 28.4% lower than the $177.6 million recorded in 1981. With interest rates having declined in the second half of 1982, there is some anticipation that the recession may have bottomed for the forest products industries. Nevertheless, even in the most optimistic scenarios full recovery within the forest products industry is not anticipated until at least 1984.

One factor which could jeopardize the recovery of the Canadian industry is the progress of the Countervailing Duty Petition in the United States. American industry interests argue that the Canadian softwood lumber industry is subsidized to the detriment of United States producers and are seeking the establishment of very high tariffs on Canadian softwood lumber. All Canadian provinces in concert with the industry and the federal government are making strong representations in rebuttal. A United States decision on the matter is expected by late summer. About one-third of Manitoba's lumber production is exported into the mid-western United States, and American prices have a marked influence on local prices. Manitoba's primary wood industry is concentrated in areas where there are currently few alternative employment opportunities.

Manitoba's commercial forest lands extend over 260,000 square kilometres or about 40% of the Province's land area and

contain an estimated 460 million cubic metres of merchantable timber. Given favourable market conditions, this renewable resource could sustain a harvest of about 7.5 million cubic metres or about 3 times the current annual cut, in perpetuity. However, over half of this amount is currently inaccessible and would require large-scale development expenditures for roads and plant expansions to realize its full potential. Maintenance of the present harvest to sustain existing industry operations and assure forest renewal of the cutover lands requires increased forest management investment.

Fishing

The 1982-83 Manitoba fish catch is expected to remain at approximately the previous year's level of 34 million pounds. However, declining prices are expected to result in a $2.5 million decline in initial payments to fishermen to $14 million in 1982-83. Final payments are not expected to add significantly to this amount.

Final sales of Manitoba fish sold through the Freshwater Fish Marketing Corporation during the year ending April 30, 1983 are projected at approximately $22 million. A high proportion of Manitoba fish are sold in the United States and in European specialty markets where weak demand conditions resulted in price declines.

In addition to commercial fishing activity, Manitoba's fishery resources enjoy a quality reputation among recreational and sport fishermen.

Mineral Resources

In 1982, Manitoba's mineral industry recorded its second consecutive year of decline as the total value of production fell by 17.7% to an estimated $542 million. Production volumes of nickel, copper, and zinc declined 7.9%, 14.3%, and 18.3%, respectively, as weak market demand and temporary lay-offs by major companies operating in Manitoba curtailed production. The value of total metal production dropped by 25.1% in 1982 to about $358 million from $479 million in 1981 as prices, particularly for nickel, copper and zinc, averaged appreciably lower.

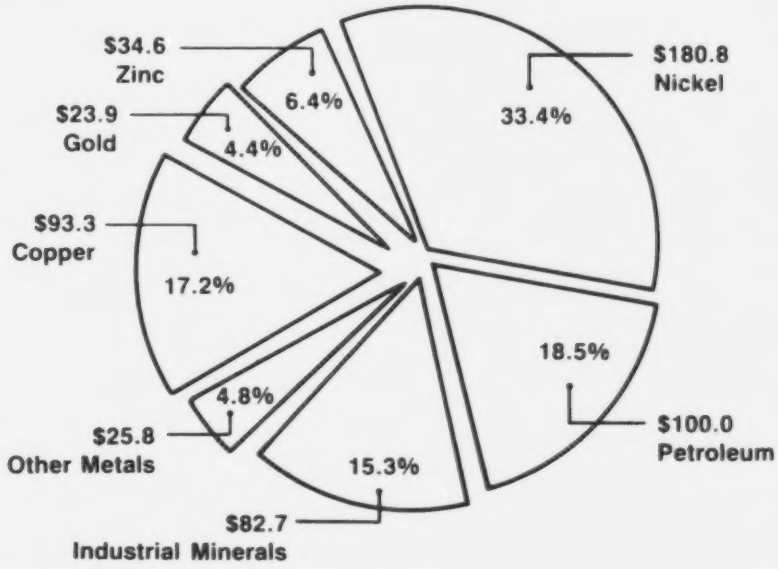
At the same time as production was being cut back, a number of capital projects in metal mining were being deferred. Among the projects which were held in abeyance, the most significant was the $87 million open pit nickel development by Inco at Thompson. Development of the Spruce Point and Trout Lake

mines by Hudson Bay Mining and Smelting Co., Limited, however, did proceed and by the end of 1982 production from these two mines approached projected volumes. The Province, through Manitoba Mineral Resources Ltd., maintains a 27% interest in the Trout Lake mine. Gold mining operations at Bissett were reopened in January, 1982 by the San Antonio Gold (1982) Ltd.

As indicated above, lay-offs resulting from weak markets played a major role in the output decline recorded in metal production in 1982. Hudson Bay Mining and Smelting Co., Limited's production operations were shut down for an eight-week period from June 26 to August 22, 1982. The Thompson area mining and smelting operations of Inco Limited experienced a three-month shutdown beginning in November, 1982. Production at Sherritt Gordon Mines Limited's mining and milling operations at Fox Lake and Ruttan Lake were suspended from June 18 to October 3, 1982. Tantalum Mining Corporation of Canada Limited (Tanco) also shut down operations for a five-week period, from June 26 to August 3, 1982 and suspended production for an indefinite period commencing in December, 1982 in light of its substantial inventories.

Chart 9

Value of Mineral Production — Manitoba, 1982
(Millions of Dollars and Per Cent of Total)



Total Value of Mineral Production, $541.2 millions

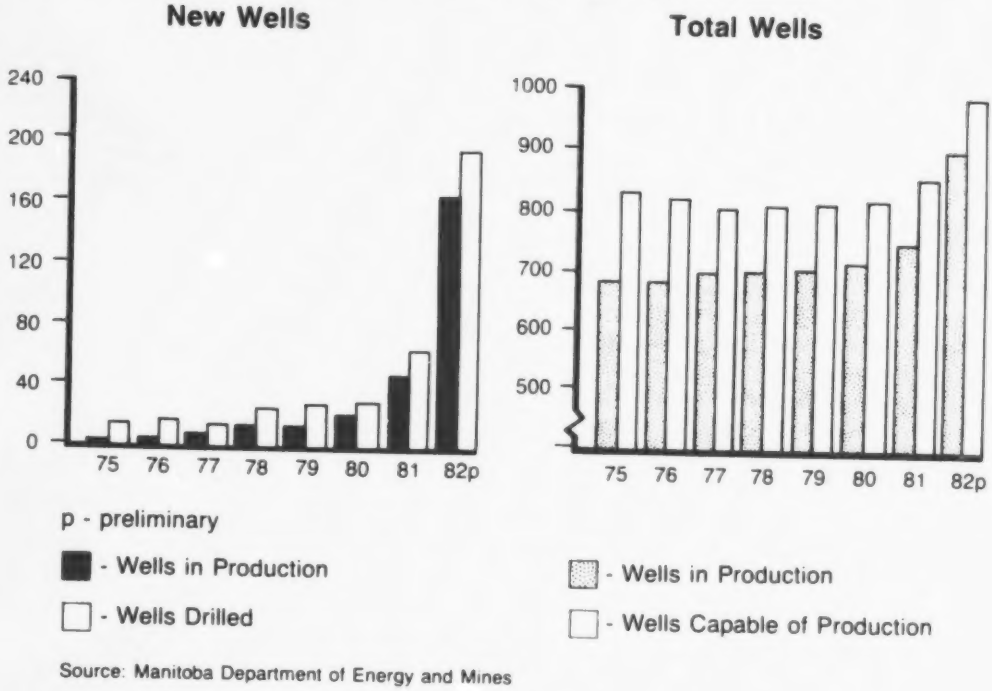
Source: Manitoba Department of Energy and Mines

Production of industrial minerals declined in 1982 reflecting the recession in general and the weakness in the construction industry in particular. Cement and gypsum production declined 59.0% and 56.3%, respectively. The value of production of industrial minerals declined by 28.2% to about $83 million in 1982 from $115 million in 1981.

The strong performance of Manitoba's petroleum industry in 1982 provides a positive contrast to developments elsewhere in the Province's mineral industry. Crude oil production increased by 7.2% in 1982 compared with 1981, the first increase recorded since 1968. Drilling activity, primarily in the Waskada area, as measured by both the number of new wells drilled and total metrage, tripled. In addition, 144 new oil wells were brought into production in 1982 compared with 38 in 1981, an increase of 278.9%. This high success rate has encouraged a sizeable increase in drilling activity in Manitoba as is evident in Chart 10. With scheduled price increases and new oil prices for this new production, the value of production in 1982 exceeded $100 million for the first time, an increase of about 57.0% from 1981.

Chart 10

Oil Well Drilling Activity — Manitoba, 1975-82



Source: Manitoba Department of Energy and Mines

Manufacturing

In Manitoba, manufacturing accounts for nearly half of all employment and output in the goods sector. In 1982, the recession in North America brought a reversal to the strong expansion in manufacturing which had taken place over the 1978-81 period in Manitoba. It is estimated that about 9,000 jobs were lost in Manitoba's manufacturing sector in 1982. At the same time, real output is estimated to have declined by over 10%, roughly the same decline as in Canada as a whole.

The total value of manufacturing shipments in Manitoba is estimated to have decreased by 3.4% in 1982 to approximately $4.8 billion. Manitoba's performance was better than Canada's in a number of major manufacturing industries, including machinery; clothing; textiles; wood, furniture and fixtures; paper and allied industries; printing and publishing; electrical products; and chemical products. However, the value of shipments increased in 1982 in only four of Manitoba's major industry groups -- food and beverages; printing and publishing; electrical products; and chemical products -- and among miscellaneous manufacturing industries.

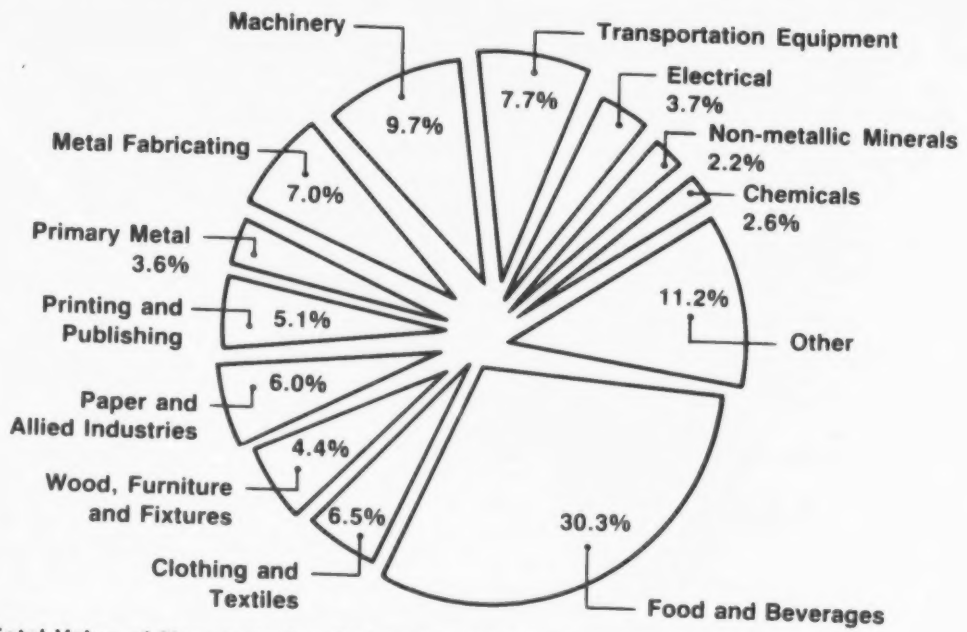
Declines in the value of shipments were recorded in all of the other major manufacturing industry groups. The largest decline was experienced in primary metals, as a direct consequence of the substantially lower levels of metal production in 1982. Large declines were also reported for non-metallic minerals; metal fabricating; transportation equipment; and wood, furniture and fixtures. These developments can be linked directly to weaknesses in other sectors of the economy such as construction, transportation and forestry. Chart 11 provides an indication of the relative importance of the major manufacturing industries in the Province.

Contributing to the continued development of the Province's electronic communications equipment industry in 1982 was the completion in April, 1982 of Northern Telecom Limited's new facilities in Winnipeg. The estimated investment in this plant was $25 million, $3 million of which was provided as a grant by the federal Department of Regional Economic Expansion. With the new facilities, the company produces digital transmission equipment and has expanded its workforce by roughly 150.

Composite Technology Canada Ltd.'s new plant will repair and remanufacture helicopter blades and tail rotors. This is the only plant involved in this type of activity in Canada. Otto Bock Canada Ltd., a major European company involved in health care

Chart 11

Manufacturing Shipments — Manitoba, 1982
(Per Cent of Total)



Total Value of Manufacturing Shipments, $4.8 billions

Source: Statistics Canada (CANSIM)

products, opened a plant in Manitoba to manufacture prosthetic devices for the North American market. Contributing to the regional development objectives in Manitoba, 3M Canada Inc. opened a plant manufacturing epoxy resins at Morden with investment in plant and equipment totalling $5 million. Canada Wire and Cable Ltd. expanded their Manitoba operations to include the cabling of fibre optics. This expansion involved an investment of $5 million.

Housing

Residential construction activity fell to a record low level in Manitoba in 1982 as 2,030 starts were recorded, a decline of 28.1% from 1981. Single dwelling unit starts in 1982 totalled 1,101, approximately one-quarter of the average during the

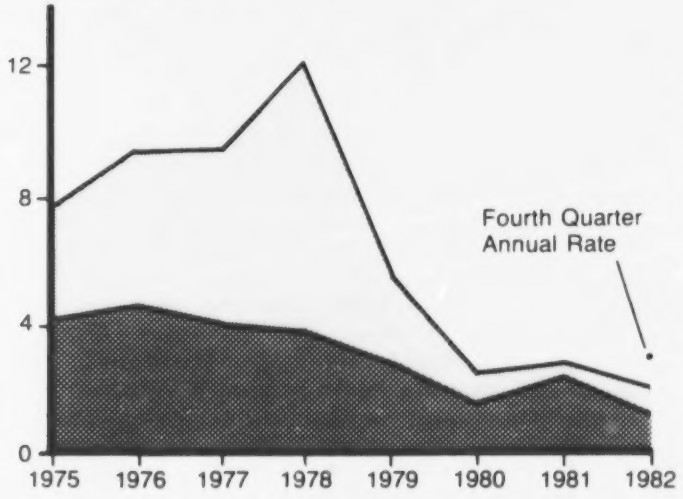
previous decade. Although the 929 apartment and other multiple units started in the year represents a substantial increase over the 1980 and 1981 levels, apartment construction activity remains at a lower level than at any time since 1956.

The depressed levels of new building activity should be regarded in the context of developments over the past several years (see Chart 12). The large number of new housing units built on speculation in the late 1970's combined with high levels of provincial out-migration to create a considerable over-supply situation. Apartment vacancy rates, for example, rose to over 4% in the 1979-80 period. The subsequent downturn in residential building activity contributed to a loss of about 6,000 jobs in the construction industry between 1978 and 1982 and a substantial out-migration of skilled workers.

Chart 12

Housing Starts - Manitoba, 1975-82

(Thousands of Units)



Source: Statistics Canada (CANSIM)

To a large extent, the further decline in housing starts in 1982 can be attributed to the high interest rates in effect for most of the year. With apartment vacancy rates and the

inventory of new unsold houses at low levels by the fourth quarter of 1982, the housing market appears to be in a position to sustain the modest expansion which began in the later months of 1982. The lower interest rates currently in effect, if they are maintained, should continue to reinforce provincial and federal housing programs which have been quite well received to this point. Although these factors are unlikely to result in a flood of speculative construction by builders, they should contribute along with population growth to converting some of the "potential" demand for new housing into "effective" demand.

Energy

Oil, natural gas, and hydro-electricity provide Manitoba with most of its energy requirements. Oil consumption, which has fallen since 1978, fell again in 1982. The volume of petroleum sales in 1982 was 4.6% lower than for the same period in 1981. Natural gas consumption, reflecting colder temperatures in 1982 than 1981, as well as the addition of new customers, rose 7.7% in the first 10 months of 1982 compared with the same period in 1981. The use of electricity in 1982 rose to 13.6 billion kilowatt hours, measured at generation, an increase of 5.8% from 1981.

Energy consumption patterns have been influenced, to some extent, by government programs encouraging energy conservation. The Manitoba Home Insulation Loan Program (HILP) began in 1977. Over the past six years some 32,000 loans were made under this program with a total value of $23.9 million. The federally administered Canadian Home Insulation Program (CHIP), which also began in 1977, has provided almost 75,000 grants in Manitoba with a total value of $27.8 million. The Canadian Oil Substitution Program (COSP), which began in 1980, has provided approximately 15,000 grants in Manitoba totalling $9.9 million to assist homeowners who convert from oil to other forms of energy such as natural gas, electricity and wood. Programs under the Manitoba-Canada Conservation and Renewable Energy Demonstration Agreement include the Small Scale Energy Demonstration Program, the Home Energy Saving Demonstration ("Energy Demo") project, and the energy retrofitting demonstration program for community recreation facilities.

Electricity provides approximately 20% of total energy requirements in the Province. Following two years of low water levels, improved water conditions in 1982 allowed Manitoba Hydro to generate electricity at near-normal levels. Consequently, sales of electricity outside Manitoba rose to a record $95.4 million in 1982, up 28.2% from 1981. In 1983, extra-provincial sales are expected to be close to the 1982 record.

For most classifications of customers, Manitoba Hydro has among the lowest electricity rates in Canada. For example, in January, 1983, a resident in Winnipeg consuming 750 kilowatt hours in a month would have paid $24.53, while similar service cost $35.57 in Vancouver, $29.10 in Montreal, and $39.56 in Saint John. The 9.5% rate increase scheduled to come into effect May 15, 1983 will increase the monthly bill for this representative customer to $26.86, still below rates in other centres in Canada.

Manitoba Hydro's capital expenditures increased $19.2 million to $95.9 million for the nine months ending December 31, 1982. Major capital spending projects included rehabilitation of structures at the Seven Sisters and Great Falls stations on the Winnipeg River as well as the construction of an all-weather road from Split Lake to Long Spruce Generating Station. Manitoba Hydro, in cooperation with the University of Manitoba, Teshmont Consultants Inc., Federal Pioneer Electric Limited, and the Province of Manitoba opened the world's first complete research centre for high voltage direct current technology in Winnipeg on January 15, 1982.

Manitoba Hydro has developed more than 3,900 megawatts of electrical generating capacity of which approximately 90% is hydro-electric. Winnipeg Hydro has developed a further 190 megawatts of generating capacity, giving Manitoba a total integrated generating capacity of just over 4,100 megawatts. In addition, more than 6,000 megawatts of hydro generating capacity remain to be developed along the Nelson-Churchill River system. The capacity now in place is sufficient to supply Manitoba's electrical requirements to about 1992. Earlier development, however, may be undertaken to meet significant demand from new provincial or extra-provincial customers.

Service Sector

In 1982, Manitoba's service sector proved to be much more resilient than the goods sector in the face of recessionary pressures. While employment in the goods sector was reduced appreciably, overall service sector employment increased. The service sector accounts for a somewhat larger share of employment and output in Manitoba than it does in the rest of Canada. In 1982, the service sector's share of real Gross Domestic Product was 72% in Manitoba compared with 65% in Canada. Similarly, its employment share is larger in Manitoba than Canada, 72% and 68% respectively. Given that in Manitoba services comprise a larger part of the overall economy and that real output performance was above the national average, the service sector provided valuable stability to the economy of the Province in 1982.

Transportation and Communications

Current estimates indicate that both real output and employment in the transportation sector declined slightly in 1982. Weakness in mining, forestry and manufacturing had a major impact reducing trucking activity. Rail services were also affected, but the large increase in wheat marketing was sufficient to offset this decline. Shipping activity at the Port of Churchill increased significantly primarily because of increased wheat exports. In 1982, 589,000 tonnes of grain were exported from Churchill, an increase of almost 25% from 1981, but well below the record 700,000 tonnes exported in 1976 and the 1.5 million tonne estimated capacity of the port. In addition, passenger volume at Winnipeg International Airport is estimated to have been 15-20% lower than in 1981 because declining real disposable income has reduced personal travel and declining profits have curtailed business travel. In overall terms, the transportation sector recorded a more favourable performance in Manitoba than nationally, primarily because of the influence of wheat exports on rail and shipping activity.

A major investment project in the transportation sector in 1983 is the computer building to be constructed in Winnipeg by Air Canada. The estimated total capital cost of this project is $55 million, $20 million of which is in computer hardware.

It is estimated that in 1982 both employment and real output in the communications sector increased in Manitoba. In this regard, Manitoba is served by a vast and growing communications network of radio, television, cable and telephone services. In 1982, there were over 60 AM and FM radio stations operating in Manitoba with approximately 25 stations originating programs. Canadian television programming is provided by three broadcast companies through almost 60 stations, six of which have programming capabilities. There are 39 cable television systems licenced for operation in Manitoba, which are expected to provide the vehicle for a further extension of television services throughout the Province.

A significant recent development, in terms of new services for Manitobans, is the introduction of pay-TV which is being provided through the cable companies.

The Manitoba Telephone System (MTS) provides telephone and related services throughout the Province. In 1982, MTS accounted for approximately 40% of the employment in the communications sector in Manitoba. In addition, increases in the number of telephones and long distance calls suggest that MTS

was one of the few telephone utilities in Canada to have experienced growth in 1982.

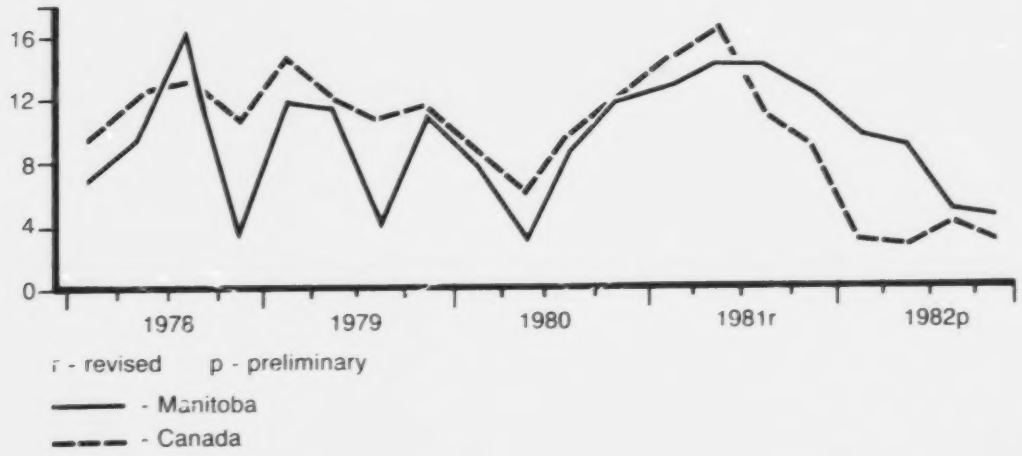
Trade

Buoyed by strong consumer demand early in 1982, the trade sector remained somewhat stronger in Manitoba than in the country as a whole for the second consecutive year. Retail sales are estimated at $3.8 billion, 6.9% higher than in 1981. The increase was more than twice the Canadian average and among the strongest of any province in Canada (see Chart 13).

Chart 13

Value of Retail Trade
Manitoba and Canada, 1978-82

(Annual Per Cent Change)



r - revised p - preliminary

——— - Manitoba

– – – - Canada

Source: Statistics Canada (CANSIM)

Within the Province, the focal point for retail sales growth in 1982 was Winnipeg where sales averaged 10.7% higher than in 1981. Growth in the rest of the Province was limited to 0.4%. Strong growth was reported by food stores where sales are estimated to have topped the $1 billion mark for the first time. With food prices having increased by less than 5% in 1982, the 10-11% growth in sales implies an increase in volume of 5-6%. In all probability, the bulk of this increase in volume in the face of

declining real personal disposable income reflects a change in consumer spending habits. A shift occurred in favour of purchases of food for home preparation and consumption and away from food prepared and/or consumed outside the home. In addition, food stores have increased the range of goods sold to include fast foods and many non-food items. The recession and high interest rates have also resulted in consumers deciding to delay new automobile purchases and to continue to operate and maintain their present vehicles. This pattern was evident in the decline in new car sales in 1982 and the strong growth in sales by service stations, garages and automotive parts dealers.

Preliminary estimates for wholesale trade indicate that sales declined by about 4% in Manitoba in 1982 compared with 7% in Canada. However, employment in wholesaling activity in the Province averaged higher in 1982 than in 1981 while, for the country as a whole, a 2.6% decline was recorded. In relation to the total trade sector, wholesaling in Manitoba accounts for a somewhat larger share of employment than the Canadian average, 31% compared with 26%.

Finance, Insurance and Real Estate

From the early days of the development of the prairie grain economy, the finance and insurance industry has played an important role in fostering growth in the Province. The industry provides many important services including banking, property and life insurance, and security and commodity exchanges. Winnipeg is the national and international headquarters of a number of investment and insurance houses. The Winnipeg Commodity Exchange, established in 1887, includes the only grain exchange in Canada and is a major centre for trading in cereal grains, oilseeds, precious metals and financial futures. In 1982, there were just over 15 million grain contracts traded on the Exchange as well as 2,500 contracts for precious metals and financial futures.

Within Manitoba's financial sector there is a system of 108 credit unions and 29 caisses populaires, owned and operated by the citizens of Manitoba. Total assets of this group increased by 5.2% in 1982 to almost $1.4 billion.

Manitoba is served by all of Canada's major chartered banks. In the second quarter of 1982, the latest period for which estimates are available, chartered bank assets in Manitoba stood at almost $8 billion, up 2.6% from a year earlier. A significant portion of these assets, over $2.2 billion, are in the form of business loans. Mortgages accounted for $1.4 billion,

personal loans $1.1 billion and agricultural loans about $0.9 billion. Total liabilities of the chartered banks rose to almost $8.2 billion, 19.5% higher than in the second quarter of 1981. Personal savings deposits made up $4.9 billion of this total.

It is estimated that $229.8 billion in cheques were cleared through Manitoba's two clearing houses in 1982, up about 15.7% from 1981. This increase in activity compares favourably with the 9.3% increase estimated for Canada as a whole.

Although the number of housing starts in Manitoba declined in 1982, listings and sales of residential real estate remained at close to 1981 levels. New housing prices in Winnipeg averaged 9.3% higher in 1982 than in 1981, the highest increase of any major city in Canada. This increase follows five years of quite modest growth and reflects demand pressures resulting from an increasing population and a housing market in which supply no longer exceeds demand by a large margin. Market analysts noted an upturn in real estate activity beginning in August, 1982, which can be attributed to lower mortgage interest rates and federal and provincial initiatives which provide assistance to homeowners. While there is some concern that the expiry at the end of 1982 of the $3,000 federal grant for the purchase of existing homes and on April 30, 1983 for new construction may reduce activity, to this point the market has remained firm. Most analysts attribute this strength to the availability of lower interest rates for longer terms.

Tourism

Travel activity was reduced in Canada in 1982 as the effects of the recession made an impact on discretionary spending. The number of Americans visiting Canada declined by about 19% while the total number of non-resident visitors declined 18%. The number of non-resident visitors to Manitoba in 1982 declined 13.3% to 2.6 million, including 809,750 Americans, down 12.1% and 49,700 overseas visitors, down 17.1%. The number of Canadians travelling to other provinces also declined in 1982 resulting in a 15.6% decline to 1.8 million visits by Canadians to Manitoba.

It is estimated that total receipts attributable to tourism in 1982 were about $582.6 million in Manitoba, down 1.2% from 1981. Of this total, spending by Manitobans was up 4.9% at $285.7 million; spending by other Canadians was down 5.0% at $213.0 million; by American visitors down 9.3% at $69.4 million; and by overseas visitors down 10.5% at $14.5 million.

In Winnipeg, convention activity experienced strong growth in 1982 with an increase of 31% in the number of convention delegates. Total delegates numbered 67,918 in 1982 compared with 51,800 in 1981. On the basis of confirmed bookings to date, convention activity is projected to continue to increase in the 1983 to 1985 period.

Based on information for the first three quarters of 1982, Manitoba's hotels, motels, lodges and resorts are estimated to have recorded a 1.3% drop in room sales to 2.5 million for 1982 compared with sales of 2.6 million in 1981. Areas outside of Winnipeg recorded a decline of 0.6% in room sales compared with a decline of 1.9% in Winnipeg.

Restaurant receipts in Manitoba for the first ten months of 1982 were 6.8% ahead of their 1981 pace. This compares favourably with the rest of Canada which reported only a 4.6% increase over the same period. Total restaurant receipts in Manitoba are expected to be approximately $302.3 million for the year.

The outlook for 1983 is for some improvement in total tourism volumes as real economic growth begins to be realized in primary tourism markets. A target of 2.6% growth in visitors has been set in the tourism marketing strategy, with strongest growth expected in the in-province market, and from the primary United States markets of North Dakota and Minnesota.

OUTLOOK

Over the course of the current recession there has been a substantial increase in idle industrial capacity as well as unemployment and underemployment. In addition, worsening economic conditions have precipitated a loss in confidence regarding short-term prospects which has resulted in real declines in personal spending and business investment. A number of leading indicators, however, have shown improvement in recent months. Consumer and business confidence, which according to Conference Board survey results fell in mid-1982 to their lowest levels since the surveys were first undertaken in the 1970's, have now increased for two consecutive quarters. The greater optimism evident in these attitude surveys is also apparent in recent surveys by Statistics Canada and the Purchasing Management Association of Canada of business conditions in the manufacturing industry. These production surveys suggest that manufacturers have had some success in bringing down their inventory-to-sales ratios. With inventories nearing manageable levels, orders increasingly will be filled from new production rather than inventories.

To some extent the increased optimism noted above can be attributed to lower nominal interest and inflation rates. One area in which this has been particularly evident has been residential construction. In the fourth quarter of 1982 housing starts registered increases which can be attributed to lower mortgage interest rates as well as government programs designed to encourage homeowners..ip.

Although output may accelerate fairly quickly once the economy makes the transition from recession into recovery, higher levels of production will not immediately be translated into increased employment, incomes and investment. With the economy operating well below capacity, there will likely be an extended period during which increased production is achieved through increased utilization of existing capacity and increased hours of work or rehiring of laid-off workers. Even with a sustained expansion, the unemployment rate is expected to remain tragically high and investment below pre-recession levels until 1986 or 1987.

While the medium-term outlook suggests that the recovery will be protracted, there is no assurance that the recovery most analysts are forecasting will be sustained. A key factor in the recovery is an increase in personal consumption. High real interest rates and the spectre of unemployment have

driven up the savings rate to historically high levels. With only slightly lower real interest rates and improving consumer confidence, the savings rate is expected to decline slightly in 1983, although still remain at high levels by historical standards. Thus the recovery in 1983 will be particularly sensitive to interest rate developments over the course of the year. A run up in rates could abort any resurgence in consumer spending.

International developments will continue to have an important bearing on the capacity of the economy to sustain an expansion in 1983. Over the past year, declines in world commodity and energy prices have created great financial strain on a number of less-developed countries. It is a concern that further declines in prices could result in countries not being able to meet their commitments to repay their debts. With these countries unable to finance their purchases abroad world trade could rachet down to a lower level. Given Canada's dependence on world trade, this possible development must be regarded as a risk to the recovery.

Bearing these risks in mind, it is anticipated that real Gross Domestic Product will increase by about 1% in Canada in 1983.

The resilience of the Manitoba economy was reflected in the fact that the downturn in production and employment was less severe than in most other provinces and Manitoba's inflation performance was somewhat better in 1982. In 1983, a similar rate of expansion to the national economy and a similar lag in the improvement in labour market conditions is expected in Manitoba.

However, according to a number of economic indicators including employment, manufacturing shipments and retail sales, the onset of the most recent recession was delayed in Manitoba relative to other parts of the country. The positive indications that the national economy may have turned the corner to recovery are mainly from sources which are not compiled on a provincial basis. Although there is some optimism for Manitoba in the improvement in housing construction and the significant strengthening of retail trade at year-end, it remains uncertain whether the provincial economy will enter a broadly based recovery in tandem with the national economy or experience a lagged response.

As noted above, the recession, as well as the protracted period of low growth in Manitoba in the late 1970's has been accompanied by a noticeable shift in production and employment toward the service sector of the economy. This

structural change has in fact been underway for a much longer time and is expected by some observers to accelerate in the 1980's as technological advances make rapid productivity changes possible. New techniques will also involve new products, processes and the challenge of change in the goods producing sector.

The development of appropriate strategies and responses, by all sectors, to the further restructuring of the economy, adoption of technological advances and changes in the mix of employment and production activities will be the challenge of the recovery period.

The cooperative effort demonstrated by representatives of government, business, labour, farm and native organizations at the Economic Summit Conference held in Portage la Prairie in November, 1982 is evidence of the traditional will which exists within the social fabric of Manitoba -- to pull together to meet such challenges. Summit participants identified a number of important underlying strengths and longer-term potential, both human-based and resource-based, in Manitoba's economy and reached agreement on a number of areas of economic policy where a common approach would improve performance. Following the Summit, many sectors offered advice to the Minister of Finance on immediate policy priorities and initiatives during a series of pre-Budget consultations. This recognition of the joint responsibility of major groups to develop the strategies required for renewed and sustained growth is an important asset for the future of Manitoba.

ECONOMIC STATISTICS -- MANITOBA

	1978r	1979r	1980r	1981r	1982p	Annual Per Cent Change 1978r	1979r	1980r	1981r	1982p
Gross Provincial Product: ($ millions)	9,420.0	10,340.0	11,190.0	13,100.0	13,810.0	9.4	9.8	8.2	17.1	5.4
Sectoral Indicators:										
Agricultural Production ($ millions)	1,517.0	1,580.0	1,667.0	1,991.2	2,025.5	25.5	4.2	5.5	19.4	1.7
Manufacturing Shipments ($ millions)	3,281.6	3,920.9	4,370.0	4,946.0	4,777.4	16.4	19.5	11.5	13.2	-3.4
Mineral Production ($ millions)	467.8	652.7	820.6	657.9	541.7	-17.8	39.5	25.7	-19.8	-17.7
Electric Power Available (millions of kW.h)	18,345.0	21,421.0	20,610.0	19,326.0	21,860.0	26.5	16.8	-3.8	-6.2	13.1
Housing Starts (units)	12,121.0	5,772.0	2,597.0	2,824.0	2,030.0	28.8	-52.4	-55.0	8.7	-28.1
Retail Trade ($ millions)	2,687.8	2,935.9	3,163.9	3,578.4	3,824.8	8.6	9.2	7.8	13.1	6.9
Gross Tourism Expenditures ($ millions)	404.1	450.6	515.1	589.4	582.6	2.9	11.5	14.3	14.4	-1.2
Incomes:										
Farm Cash Receipts ($ millions)	1,132.1	1,308.4	1,463.6	1,655.2	1,681.2	25.9	15.6	11.9	13.1	1.6
Total Personal Income ($ millions)	7,779.0	8,416.0	9,199.0	11,087.0	12,190.0	10.2	8.2	9.3	20.5	9.9
Personal Disposable Income ($ millions)	6,681.0	7,228.0	7,832.0	9,394.0	10,270.0	12.5	8.2	8.4	19.9	9.3
Average Weekly Earnings ($)	239.7	259.0	283.2	314.3	345.0	5.9	8.0	9.3	11.0	9.8
Capital Investment:										
Total ($ millions)	2,018.0	2,040.9	2,024.1	2,282.1	2,133.8	6.4	1.1	-0.8	12.7	-6.5
Private Sector ($ millions)	1,385.6	1,463.4	1,447.6	1,616.5	1,431.9	21.8	5.6	-1.1	11.7	-11.4
Public Sector ($ millions)	632.4	577.5	576.5	665.6	701.9	-16.7	-8.7	-0.2	15.5	5.5
Population:										
June Estimates (thousands)	1,031.6	1,029.6	1,025.6	1,026.2	1,035.9	0.3	-0.2	-0.4	0.1	0.9
Labour Market: Annual Average										
Labour Force (thousands)	471.0	478.0	486.0	492.0	499.0	3.3	1.5	1.7	1.2	1.4
Employment (thousands)	440.0	453.0	459 0	462.0	457.0	2.6	3.0	1.3	0.7	-1.1
Participation Rate (%)	63.1	63.7	64.6	65.0	65.1	-	-	-	-	-
Unemployment Rate (%)	6.5	5.4	5.5	6.0	8.5	-	-	-	-	-
Consumer Price Index: Annual Average										
Winnipeg (1971 = 100)	176.5	192.7	211.9	235.5	256.2	8.5	9.2	10.0	11.1	8.8

r - Some data have been revised in accordance with updated Statistics Canada information
p - Preliminary estimates

SOURCE: Statistics Canada (CANSIM) and Manitoba Department of Finance

SUPPLEMENTARY ECONOMIC STATISTICS

Table 1

REAL GROSS DOMESTIC PRODUCT BY PROVINCE, 1982

(per cent change)
(as of dates shown)

	1982 Outlook		Current 1982 Estimate
	December, 1981	April, 1982	February, 1983
Newfoundland	1.9	-1.5	-6.0
Prince Edward Island	1.2	-1.4	-3.1
Nova Scotia	2.3	0.8	-4.5
New Brunswick	2.1	-0.6	-4.4
Quebec	1.3	-0.9	-7.1
Ontario	0.4	-2.1	-4.6
Manitoba	**2.0**	**1.4**	**-3.3**
Saskatchewan	3.0	0.3	-3.3
Alberta	4.2	3.8	-4.1
British Columbia	3.8	0.9	-6.6
Canada	**1.7**	**-0.4**	**-5.3**

SOURCE: Conference Board of Canada, Quarterly Provincial Forecast, December, 1981; April, 1982 and February, 1983.

Table 2

EMPLOYMENT AND UNEMPLOYMENT RATES BY PROVINCE, 1981 AND 1982

EMPLOYMENT	Thousands of Persons		Per cent Change
	1981	1982	
Newfoundland	187	184	-1.6
Prince Edward Island	48	47	-2.1
Nova Scotia	330	321	-2.7
New Brunswick	262	252	-3.8
Quebec	2,685	2,540	-5.4
Ontario	4,186	4,078	-2.6
Manitoba	**462**	**457**	**-1.1**
Saskatchewan	432	433	0.2
Alberta	1,093	1,080	-1.2
British Columbia	1,247	1,183	-5.1
Canada	**10,933**	**10,574**	**-3.3**

UNEMPLOYMENT RATES	Per cent of Labour Force	
	1981	1982
Newfoundland	14.1	16.9
Prince Edward Island	11.4	13.1
Nova Scotia	10.2	13.2
New Brunswick	11.7	14.2
Quebec	10.4	13.8
Ontario	6.6	9.8
Manitoba	**6.0**	**8.5**
Saskatchewan	4.6	6.2
Alberta	3.8	7.5
British Columbia	6.7	12.1
Canada	**7.6**	**11.0**

SOURCE: Statistics Canada.

Appendix C:

TAXATION ADJUSTMENTS

Appendix C
TAXATION ADJUSTMENTS
Table of Contents

	Page
RETAIL SALES TAX	C 1
CORPORATION INCOME TAX	C 2
CORPORATION CAPITAL TAX - BANKS	C 3
FUEL LEVIES	C 3
Gasoline Tax	C 3
Diesel Tax	C 4
Gasohol	C 4
TOBACCO TAX	C 4
INTERPROVINCIAL COMPARISON - SELECTED LEVIES	C 5

The following summary provides a more detailed description of the tax changes outlined in the Budget Address. Comparisons with other provinces cite information available as of February 17, 1983.

RETAIL SALES TAX (Revenue Impact +$64 million)

The general Manitoba sales tax rate (under the Retail Sales Tax Act and The Revenue Act, 1964, Part I) will be increased from 5% to 6% effective midnight March 6, 1983. The special rate on liquor other than domestic beer will be increased at the same time from 10% to 12%. This change will leave the Manitoba sales tax rate tied with the current British Columbia rate as second lowest among the nine provinces which levy sales tax.

In addition to major exemptions for food, children's clothing, and housing, Manitoba also provides a Cost of Living Tax Credit introduced in 1974 "to help reduce the impact of provincial sales taxes in an equitable way, consistent with the priniciple of ability to pay." (1974 Manitoba Budget)

The following table shows the distributional impact of the sales tax at the new 6% rate together with the offsetting benefits provided under the Cost of Living Tax Credit.

Family Income ($)	Sales Tax as % of Family Income Before Cost of Living Tax Credit (%)	Sales Tax as % of Family Income After Cost of Living Tax Credit (%)
Under 6,000	2.22	(1.82)
6,000- 8,000	2.00	0.48
8,000-12,000	2.27	1.23
12,000-16,000	2.12	1.58
16,000-20,000	2.02	1.77
20,000-25,000	1.99	1.86
25,000-30,000	2.00	1.96
30,000-35,000	1.82	1.82
35,000 & Over	1.76	1.76

Enquiries regarding the retail sales tax should be directed to:

Retail Sales Tax Branch
Department of Finance
115 Norquay Building
Winnipeg, Manitoba.
R3C OV8

Phone: In Winnipeg: 943-3561
Rural Manitoba: 1-800-542-8925

CORPORATION INCOME TAX (Revenue Impact +$6.6 million)

The corporation income tax rate on large business income will be increased from 15% to 16% effective January 1, 1983. At 16%, the large business rate will be the same as that currently in effect in British Columbia and Newfoundland.

The special Manitoba corporation income tax rate on small business income will be restricted to active business income effective January 1, 1983. Prior to the change, Manitoba was the only Province within the corporation income tax collection agreements to extend its preferential rate to include personal service corporations.

Non-qualifying businesses are defined in the Income Tax Act (Canada) and consist primarily of professional corporatons; the professional practices of accountants, dentists, lawyers, medical doctors, veterinarians and chiropractors. Also included are service corporations which provide administrative, managerial, or financial services to a client.

For corporations with taxation years partly in 1982, taxable income will be prorated and the new general corporation income tax rate applied on the basis of the number of days in the taxation year falling after December 31, 1982.

The corporation income tax changes will be administered by Revenue Canada. Prior to June 30, 1983, enquiries may be directed to:

Federal-Provincial Relations Division
Department of Finance
Room 4, Legislative Building
Winnipeg, Manitoba
R3C OV8

Phone: 944-3757

CORPORATION CAPITAL TAX - BANKS (Revenue Impact +$3.2 million)

The 2.0% special corporation capital tax rate on banks will be extended for an additional year effective July 1, 1983. The special rate had been scheduled to expire at the end of June, 1983.

Enquiries regarding the corporation capital tax should be directed to:

Corporation Capital Tax Branch
Department of Finance
300 Norquay Building
Winnipeg, Manitoba
R3C OV8

Phone: 944-3761

FUEL LEVIES (Revenue Impact +$21.4 million)

Last year, Manitoba suspended use of the ad valorem system under which literage rates were increased automatically as the retail price of gasoline increased. In lieu of the ad valorem system, the 1983 Budget Address announced a number of discrete adjustments in literage rates.

Gasoline Tax

Effective April 1, 1983, the literage rate on gasoline will be increased from 6.4¢ a litre to 7.5¢ a litre, the same rate currently in effect in Ontario. The new Manitoba rate will be third lowest among the gasoline tax provinces. With the 3.0¢ a litre increase in retail prices anticipated on March 1, 1983 as a result of January wellhead oil price increases, it is expected that the new literage rate will be equivalent to about 19.2% of the pre-tax retail price compared with 20% under the old ad valorem system.

Comparable increases will apply to off highway uses.

Diesel Tax

The diesel fuel tax rate will continue to be set at 115% of the gasoline tax rate. As a result, effective April 1, the literage rate on diesel fuel will increase from 7.3¢ to 8.6¢. At 8.6¢ a litre, the Manitoba rate will be third lowest among the diesel fuel tax provinces and 0.9¢ a litre below the present Ontario rate. The preferential rates on other uses will be increased proportionately.

Gasohol

Manitoba continues to be the only Province to provide a preferential tax rate for gasohol. Effective June 1, 1983, the gasohol preference will be reduced from 4¢ a litre to 3¢ a litre.

Enquiries regarding fuel taxation should be directed to:

Mining and Use Tax Branch
Department of Finance
Room 700, Norquay Building
Winnipeg, Manitoba
R3C OV8

Phone: 944-3297

TOBACCO TAX (Revenue Impact +$7.5 million)

The tobacco tax rate will increase from 1.8¢ per cigarette to 2.1¢ per cigarette effective midnight March 20, 1983. Comparable increases will apply to fine cut tobacco products.

Enquiries regarding tobacco taxation should be directed to:

Mining and Use Tax Branch
Department of Finance
Room 700, Norquay Building
Winnipeg, Manitoba
R3C OV8

Phone: 944-3284

INTERPROVINCIAL COMPARISON - SELECTED LEVIES

	Nfld.	P.E.I.	N.S.	N.B.	Que.	Ont.	Man.	Sask.	Alta.	B.C.
Personal Income (% of Federal Basic Tax)	60.0	52.5	56.5	55.5	*	48	54	51	38.5	44
Sales (%)	12	10	10	8	9	7	6	5	-	6
Gasoline: ¢/litre	8.9	9.1	8.4	6.2	15.2	7.5	7.5	-	-	6.42
Diesel: ¢/litre	10.7	11.3	8.4	8.7	14.6	9.5	8.6	-	-	6.86
Corporation Income										
Small (%)	12	10	10	9	3	10[1]	10	10	5	8
Large (%)	16	10	15	14	5.5	14	16	14	11	16
Corporation Capital Rate (%)	-	-	-	-	0.45	0.30	0.20	0.30	-	0.20
Exemption	-	-	-	-	Nil	Nil	$1M	$10M		$1M
Employer Health/Education Levy (% of Compensation Paid)										
° $15,000	-	-	-	-	3.0	4.32[2]	1.5	-	1.52[2]	2.56[2]
° $20,000	-	-	-	-	3.0	3.24[2]	1.5	-	1.14[2]	1.92[2]
Health/Medical Premiums										
Individuals	-	-	-	-	-	$324	-	-	$114	$180
Families						$648			$228	$384

*Quebec levies its tax directly against taxable income.

(1) This tax was temporarily suspended in 1982 for a two year period.

(2) Assumes employer pays family premium structure on behalf of employee.

NOTE: Manitoba was the first Province to present its 1983 Budget. Comparisons with other provinces will require updating as other provinces present their Budgets.

Appendix D:

MANITOBA'S PROPOSALS FOR NATIONAL ECONOMIC RECOVERY

Appendix D
MANITOBA'S PROPOSALS FOR NATIONAL ECONOMIC RECOVERY
Table of Contents

	Page
Policies for Economic Recovery	**D 1**
A Coordinated National Response to Unemployment	**D 5**
Federal Transfers to Manitoba	**D 16**
Major Capital Investment Initiatives	**D 21**

Honourable Vic Schroeder
Minister of Finance

NOTES for a STATEMENT on POLICIES for ECONOMIC RECOVERY to the Federal-Provincial Conference of Ministers of Finance and Provincial Treasurers

Meach Lake, Québec, December 16, 1982

Mr. Chairman:

I would like to join my colleagues in offering our congratulations to you on assuming your new duties as Canada's Minister of Finance. You may rest assured that our province remains committed to cooperating with your government as you chart Canada's course on the path to economic recovery.

Canada and the industrialized world are facing the worst recession since the Depression of the 1930's. While it can be argued that some general downturn was perhaps inevitable, many informed observers are calling this a policy-induced recession and placing responsibility for the magnitude of the downturn largely on those who chose overly-restrictive monetary and fiscal policies and excessive interest rates in recent years.

In fact, the experience of previous severe post-war recessions suggests that negative real interest rates were instrumental in stimulating recovery in both investor and consumer spending.

The implications of current policies in terms of reduced consumption, reduced employment, weak markets, declining investment and erosion of consumer and investor confidence are evident in virtually every economic indicator. And the results are also evident in the increased deficits facing all senior governments in Canada.

This is the reality we all face as we strive to design measures to restore confidence and initiative and to repair the damage which has been done to the economy. In our view, more of the same restrictive policies simply won't wash. Those are the very policies which have contributed to our current difficulties. The costs in terms of idle capacity, lost employment and lost investment are too high.

Facing the worst recession since the 1930's, our government implemented a number of measures to preserve and protect the productive base of the Manitoba economy and the employment opportunities for our people.

Among our more important measures were:

- interest rate protection for homeowners, farmers and small businesses;

- freezes on many provincially-determined prices and fees, including hydro rates, the gasoline tax, tuition fees and transit fees;
- a commitment to containing overall cost structures in government through an extensive re-priorization effort and through income constraints on higher income workers, income constraints which I might add were supplemented with a special surtax on higher income Manitobans; and
- major public sector capital investments totalling over $700 million in the current year, over 40% above the previous year's commitment. Included within this sum were major construction projects and a $50 million Homes in Manitoba Program.

As evidence of the continued severity of the recession continued to mount over the summer and autumn months, our government introduced an additional series of employment and capital works projects aimed at providing additional support to the economy over the winter months.

- New and expanded provincial job creation initiatives are expected to result in significant additional employment. Programs have been mounted in all areas of the province including special initiatives in our northern mining communities. In this regard, Mr. Chairman, our government welcomed the federal NEED program, announced in your recent Economic Statement, and we are pleased to join with the federal government to double the impact of the program outside of the federal service through matching funding. This joint program is expected to provide thousands of badly needed, productive jobs.

- Our government has accelerated the capital works program such that millions of dollars of public projects, in addition to those scheduled for this winter, will be undertaken immediately.

Our government has also initiated a broadly-based consultative process with business and labour leaders in the province. The Economic Summit Conference held last month proved that Manitobans are willing to work cooperatively to assist the government in meeting the challenges of the recovery period and in ensuring that the development potential of the province is realized in the future. The advice we received at the Conference assured us that Manitobans, no less than Canadians everywhere, look to government to provide leadership in designing alternative routes to restore the economy now and to prosper in the future.

We also attempted to secure replacement revenues for some of the cutbacks in federal support which started to take effect with the current fiscal year and which, unfortunately, involve even more serious consequences for the year ahead. Since the 1982 Manitoba Budget, our revenue position, like those of other governments, has deteriorated significantly with the result that our deficit is now close to $500 million. Accordingly, it is particularly important that the ability of provinces to deal with the recession not be undercut through additional transfer payment cutbacks or other restraint measures but rather that governments adopt mutually supportive and complementary initiatives to deal with the recession.

I should mention that the approach adopted in Manitoba has demonstrated some signs of success. While the Manitoba economy like those of

other provinces will record a decline in real output this year, it is also the case that the experience in Manitoba compares favourably with that of other provinces and the nation as a whole. In our view, that relatively good performance reflects not only our relatively diversified economy but also the impact of our recession fighting measures.

We should all recognize that in large part, the deficits currently faced by all governments in Canada stem not from specific efforts to be supportive of economic growth and employment creation but, in the main, from weak economic conditions. They are largely the result of what economists refer to as the "automatic stabilizers."

It is, therefore, important that governments not yield to the temptation to implement harsh and restrictive measures to reduce their deficits. Certainly, cost saving measures must be sought and put into effect. However, in overall terms, the Canadian economy does not need at this time, and can ill afford, a dramatic cut in public spending or a massive tax increase because either would simply further erode fragile markets and faltering confidence.

As Premier Pawley noted at the Provincial Premiers' Conference in Halifax earlier this year, "In times like these deficits are essential to the extent they help us meet the goals of strengthening our economy and helping individuals in most need."

In examining an appropriate course for government policies in the year ahead, it is essential that we recognize the tremendous potential to use currently unemployed capacity, both capital and labour, to put into place now the transportation networks, the public infrastructure, the housing, the hydro transmission lines, the resource development work required to meet the needs of the future. Each province has in mind projects which could be brought forward and undertaken quickly provided the federal government is willing to share in their costs.

While recessions such as the present one entail enormous social and human costs, they also provide an opportunity for governments to work together and to initiate capital undertakings thereby providing needed employment now and improved potential to serve future generations.

The advantages of undertaking such projects now include the provision of jobs to those who want work and not unemployment insurance or welfare, the provision of needed stimulus to domestic markets now and the rebuilding of consumer and investor confidence now. By the same token, immediate commencement of such projects means that they can largely be in place or complete when the economy resumes strong growth. Moreover, at the present time, government will not be competing with private investors for capital and labour to the same degree as will inevitably occur if government capital initiatives are also postponed.

In our view, this kind of cooperative national commitment to capital projects now, to jobs now and greater prosperity tomorrow, must be a cornerstone of our economic recovery strategy. While individual provinces lack the capacity to undertake such initiatives on the scale required, substantial national leadership in the provision of a pool of funds for such projects would serve as a catalyst to make them go now.

Of course, mounting such an effort will require much more effective joint cooperation and planning than has been the case in the last several years. We all recognize that. But, undertaking such an effort has the potential to provide important immediate and longer term benefits. And it's time we got on with the job.

Our government firmly believes that the number one problem facing Canada at this time is the crisis of unemployment. Unemployment is forecast to increase by an additional 15% next year — over and above the dismal record of 1982 which saw one out of every eight Canadians in the labour force being unable to find employment. The private sector is not in a position to provide the needed jobs in the short-term because of weak markets and high levels of excess capacity. In fact, business investment next year is forecast to decrease by a further 5% or more in real terms. In the order of $4 billion in capital spending is required simply to offset this decline.

While governments cannot solve these problems alone, we can make a meaningful start on the road to recovery by providing supportive policies and programs. The lessons of the past demonstrate three critical elements of a supportive governmental policy:

- significant reductions in interest rates to serve as an inducement rather than a retardant to consumer and investor spending.
- recognition by all governments of the need for fiscally stimulative deficits. At times like these there can be no fear of the spectre of "crowding out" worthwhile private sector investments.
- the initiation on a cooperative basis of a massive capital spending program on useful works to create employment now and serve more effectively the needs of the economy in the recovery period.

Adoption of such policies at this Conference would provide clear evidence of governments' determination to deal with the problems and provide leadership towards recovery. They would provide consumers with the confidence to proceed with spending plans rather than to save for greater diversity. They would provide markets for our manufacturers and a stronger base for positive investment decisions.

A key ingredient of the capital spending proposal is, of course, timing. By initiating such spending now when the economy badly needs a shot in the arm, immediate employment can be created and significant portions of public capital spending requirements for the recovery period will already have been met. And, for those with an excessive pre-occupation with deficits, the result is higher deficits now but lower deficits over the medium and longer terms.

I would welcome the comments of other Ministers on these proposals for more jobs now and greater prosperity tomorrow.

Honourable Vic Schroeder
Minister of Finance

A Discussion Paper on the UNEMPLOYMENT CRISIS in CANADA: Manitoba's Proposals for a Coordinated National Response

Prepared for the Federal-Provincial Conference of Ministers of Finance and Treasurers

Meach Lake, Québec, December 16, 1982

INTRODUCTION

Responsibility for the unemployment crisis now facing Canada cannot and should not be assigned totally to a single circumstance, a single policy, a single sector, a single government, or a single order of government. There have been many causes, and there are no simple solutions.

Without doubt, the high interest rate policy of the federal government and the Bank of Canada has played a dominant and a damaging role in dampening economic activity, reducing employment, and eroding consumer and investor confidence across the country. However, there have been other significant contributing factors as well, including less-than-adequate coordination among governments, on a national basis, in planning and implementing an all-out effort to encourage recovery, restore confidence, and create jobs.

The December 16, 1982 Federal-Provincial Conference of Finance Ministers and Treasurers — the first such meeting in some ten months — will provide an important opportunity for the federal government and the provinces to begin a joint effort to rectify this situation.

Nearly forty years ago, in its April, 1945 *White Paper on Employment and Income*, the Government of Canada set the maintenance of "a high and stable level of employment and income . . . as a primary object of policy." The *White Paper* went on to state:

> "This goal cannot be achieved by legislation alone, nor by a single device or plan. In this, it is like the wartime stabilization program. Its attainment will require the effective working of a number of compatible policies, all directed to the same end, and each contributing to the success of the others. It will not be enough that it is an object of government policy. **It must be an object of national endeavour. The active cooperation of all governments and groups in the country will be essential to success."**

Manitoba believes the *White Paper*'s emphasis on the need for active cooperation among all sectors and all governments is equally appropriate in the present circumstances — circumstances which are no less serious and threatening to Canada's economic and social progress than those which prevailed at the end of the last war.

Then, the goal of the federal government was reconstruction and the achievement of full employment. [1] **Today, it should be no less.**

Repeatedly, the provinces have indicated that they stand ready to work closely with the Government of Canada to develop and carry out a comprehensive, coordinated national recovery strategy. Several positive proposals for such a strategy were put forward in August at the Provincial Premiers' Conference in Nova Scotia, and individual provinces have presented a wide range of suggestions as well.

This paper is offered in the same spirit of cooperation. It outlines, for discussion, a framework for a **coordinated national attack on unemployment — a full-scale campaign which Manitoba believes must be the immediate priority of federal and provincial economic and fiscal policies.**

[1] *The* White Paper *stressed that "In setting as its aim a high and stable level of employment and income, the government is not selecting a lower target than 'full employment.' "*

THE SCOPE OF THE UNEMPLOYMENT CRISIS

In November of this year, some 1.5 million Canadians, or 12.7% of the labour force, were recorded as unemployed, using seasonally-adjusted statistics. Next year, it is expected that at least this same number or more may be without work **on average throughout the year.**

As the following table indicates, unemployment is expected by some forecasters to increase in every region and every province in 1983.

UNEMPLOYMENT RATES — INTERPROVINCIAL COMPARISON
1981, 1982 AND 1983
(per cent)

	1981	1982	1983 (Forecast)
Newfoundland	14.1	16.6	18.5
Prince Edward Island	11.6	13.3	15.6
Nova Scotia	10.2	13.1	13.9
New Brunswick	11.7	14.2	15.1
Quebec	10.4	14.1	15.9
Ontario	6.6	9.5	11.4
Manitoba	5.9	8.1	9.4
Saskatchewan	4.6	6.1	6.7
Alberta	3.8	7.3	9.3
British Columbia	6.7	12.1	14.5
Canada	**7.6**	**10.9**	**12.7**

SOURCE: Conference Board in Canada — November, 1982 Forecasts.

At the same time, employment is predicted by the Conference Board to average about 140,000 or 1.3% lower in 1983 than in 1982, following a drop of over 500,000 or nearly 5% from mid-1981 through the last quarter of this year.

It is widely recognized that the costs of unemployment — not only the economic costs, but also the social costs, the damage to individuals, families and entire communities — are difficult, if not impossible to calculate. It is possible, however, to estimate the overall impact of the recession in terms of the amount of output and income which have been lost permanently because the economy is performing so far below potential. **Current estimates place this loss, for 1982 alone, at between $35 billion and $40 billion.** This total is equivalent to an average loss of at least $1,500 for every Canadian, or $6,000 for a family of four. If the burden of this loss were apportioned equitably among all citizens, it would be devastating enough — and indisputable evidence of the crisis we face — but the burden does not fall evenly. Though every Canadian has been affected by the recession, the unemployed and their families must shoulder most of the burden

themselves. While the federal and provincial governments have acted to provide a measure of income protection, retraining where possible, and some new employment opportunities through special job creation programs, few of these measures have proven themselves adequate to cope with the current problem, much less to meet the added pressures which will result from the increases in unemployment expected in the year ahead.

Of course, the recession has had a serious impact on the financial positions of governments, and on their ability to allocate additional resources to respond to the unemployment crisis. Both the federal and provincial governments are experiencing significant fall-offs in revenue growth compared to initial budget estimates, and every jurisdiction which has published updates of its budget forecasts has projected significant deterioration in its "bottom line". The following table summarizes the updates which have been released thus far.

CHANGES IN 1982/83 BUDGET FORECASTS TO DATE

	Deterioration in "Bottom Line" Estimate since Budget ($ millions)
British Columbia	-669.0
Alberta	Not yet published
Saskatchewan	-427.6
Manitoba	-154.9
Ontario	-326.0
Quebec	-185.0
New Brunswick	-59.9 (First quarter revision)
Nova Scotia	Not yet published
Prince Edward Island	Not yet published
Newfoundland	-25.1
Canada	**-13.060.0** (1)

(1) *Change shown is from November, 1981 Budget to October, 1982 Economic Statement.*

SOURCE: Provincial financial publications and media reports available through early December, 1982. The figures shown are based on the government's own accounting systems. These differ somewhat from jurisdiction to jurisdiction.

It can be argued, on the basis of these figures, that governments can do little more. However, to accept such a conclusion would, in our view, be to:

- ensure that current unemployment forecasts will be realized and quite possibly exceeded,
- prolong the time before sustained economic recovery can take hold, and
- diminish significantly the speed at which the recovery will take place.

Manitoba believes that despite acknowledged financial pressures, further action must be taken by all governments. Existing resources must be re-allocated and utilized as effectively as possible, and additional resources must be secured to support new initiatives. Perhaps most important of all, policies and programs must be coordinated closely across the country to ensure that every dollar spent has maximum impact.

POLICIES AND INITIATIVES IN MANITOBA

The measures which Manitoba has implemented in the last year have been aimed directly at protecting our economic base, creating jobs and helping those hardest hit by national economic pressures.

Manitoba's 1982 Budget set out two main goals:

- First — to help sustain and strengthen our economy during one of the most difficult periods Manitoba and Canada have faced in decades — to underpin our economic foundations — to make certain we can take early advantage of a national recovery when it takes place, and
- Second — within our limited resources, to provide as much protection and assistance as we can to relieve Manitobans of the worst effects of national conditions and national policies.

We have made it clear that we believe these must remain our province's primary objectives for the immediate future.

Some of the specific policies and programs which have been implemented within the past several months to achieve these objectives include:

- approximately a 40% increase in capital investment by the provincial public sector, including government departments and Crown corporations, to around $700 million in the 1982/83 fiscal year. Included in this total is a new, $50 million Homes in Manitoba Program;

- based on the goal, "Jobs now and an early recovery", a wide range of direct job creation measures in all areas of the province. These efforts will be complemented by the federal NEED program. Manitoba recently signed a letter of understanding concerning its participation in the program;
- Canada's first comprehensive interest rate relief program for homeowners, farmers and small businesses;
- freezes on a number of prices and taxes — including the gasoline and motive fuel taxes, university tuition fees, urban transit fares, and an extension of the hydro rate freeze. In total, it is estimated that these measures will save Manitobans more than $50 million during the current fiscal year.

While concentrating on these priorities, the province has sought to contain overall expenditure growth and has attempted, where possible, to re-allocate and "re-priorize" existing resources in support of programming which has maximum economic benefit.

In addition, the Manitoba Government has made a major effort to expand consultation and cooperation among the various sectors of the provincial economy in recognition of the fact that business, labour and other major groups share with government in the collective responsibility for development of the economy. A key feature of this consultative process — a highly successful Economic Summit Conference — was held in Portage la Prairie, Manitoba in early November. At that Conference, representatives of business and labour agreed to work with the government in developing joint strategies for maintaining and strengthening the Manitoba economy. The follow-up process is now underway.

While some of the initiatives which Manitoba has taken differ from measures adopted in other jurisdictions, we recognize, of course, that other provinces and the Government of Canada have implemented a number of similar programs in the context of similar policy objectives. However, it is now clear that these initiatives, by themselves, are not sufficient to deal with the current crisis. Though many of them represent a promising and necessary start, we believe that they must be extended, strengthened and coordinated far better than in the past if we are to respond effectively, on a national basis, to the unemployment crisis.

POLICY FRAMEWORK FOR A NATIONAL CAMPAIGN AGAINST UNEMPLOYMENT

Following is a brief outline of the policy framework which Manitoba proposes for a national campaign against unemployment. In most cases, the policies which are suggested can and should be pursued jointly by the federal government and the provinces.

1. Fiscal Policy — the Need for Increased Stimulus

The 1945 *White Paper on Employment and Income* acknowledged the importance of deficit financing to combat unemployment, and a succession of federal and provincial governments have taken the same view. The Economic Council of Canada, in its 1982 Annual Review, recommended specifically that "The federal government not take further actions to reduce the deficit until the economic situation improves and that in the meantime it accept, at the very least, the increase in the deficit resulting from automatic stablilizers."

In our view, both the federal and provincial governments should recognize that increased deficits are an inevitable result of the current recession and that efforts to reduce them in a major way through large-scale tax increases or expenditure cuts will only aggravate current economic problems. Accepting an increased deficit during times of recession in no way denies the validity of seeking "a balanced budget" over the medium term by budgeting for surpluses during periods when the economy is buoyant.

While circumstances differ from jurisdiction to jurisdiction, we believe that national efforts to deal with unemployment would be best served if all senior governments were to recognize and accept the inevitability of, and need for sizeable deficits — and probably enlarged deficits — for at least another year to sustain and stimulate economic activity.

2. Maintain Federal Transfer Payments

A year ago, the Government of Canada attempted to improve its own budgetary situation by reducing the rate of growth of transfer payments to the provinces. As a result, provincial governments have faced reduced budgetary flexibility, which has constrained their efforts to provide economic stimulus.

We believe provinces would welcome the assurance of the federal government that, for a reasonable period, it will not seek to implement any further cutbacks in transfer payments, including payments to the provinces under the Established Programs Financing Arrangements and the equalization formula.

3. Monetary Policy and Reduced Interest Rates

Delegates to the Manitoba Economic Summit Conference in November were unanimous in expressing concern about the excessive use of monetary policy — and primarily high interest rates — by the federal government and the Bank of Canada to fight inflation.

Manitoba believes every effort should be made to reduce interest rates and to keep them down in order to restore confidence among consumers and investors.

While monetary policy is within the exclusive jurisdiction of the federal government, there are a number of important reasons why regular federal-provincial consultation on monetary policy would be a valuable addition to current consultations on fiscal and economic matters.

4. Expanded and Accelerated Public Investment

Recent forecasts suggest that business investment will fall some 5% short of 1982 levels in real terms next year and that capital spending in the order of $4 billion would be required simply to offset this decline. This prediction illustrates the importance of a major program of sustaining public capital investment by both the federal and provincial governments.

Canada has had a long and successful record of activity of this kind, including the relatively small but effective federal-provincial winter capital works programs in the early 1970's. In Manitoba, public sector capital projects have been a major part of our own government's efforts to create jobs. We have attempted to assemble a "shelf" of available projects, giving those priority which have the largest job creation effect and which promise the greatest overall economic and social benefit for the province, while deferring others which have less impact and urgency. Currently, plans are also underway to establish a regular system of consultation with business and labour on future public capital investment plans, including questions such as timing and availability of labour and materials.

We would recommend that efforts be made to improve consultations on investment prospects on a national basis — particularly federal-provincial consultations on major capital works options. All governments will have suggestions to make in this regard, but there are obvious priorities in such fields as transportation — including rail line upgrading, such as in northern Manitoba — energy, housing and health care — particularly facilities for the aged.

We have not recommended a specific national target figure for capital works projects in total for 1983. In our view, it would be most appropriate to work out a feasible program through federal-provincial consultation and cooperation. However, we must also emphasize that, to be effective, such a program must be substantial in scale and must receive major financial support from both senior orders of government.

We would propose that an early deadline, such as the end of January, be set for federal-provincial agreement on such a program. Responsibility for development and implementation could be assigned jointly to Finance Ministers and Ministers responsible for Labour and Manpower matters. As noted earlier, there should also be consultation with business and labour.

5. Financing Public Investment

Federal transfer payment cutbacks, the recession, conditions in international financial markets, the discontinuation of Alberta Heritage Fund loans to other provinces, and various other factors have all increased the difficulty faced by provincial governments in financing their normal capital programs, much less substantially stepped-up programs of public investment. At the same time, the federal government, too, is experiencing difficult financial pressures. However, it is clear that substantial capital is available for productive investment and that both the federal and provincial governments retain the capacity to secure such funds both within Canada and outside.

At the same time, and although both senior orders of government must share responsibility for financing job creation efforts, the Government of Canada has a special responsibility to provide leadership and financial support. The federal government has greater borrowing capacity than any province, and the lead responsibility for dealing with national economic problems.

In these circumstances, we believe that the federal government should consider establishing a large-scale Federal-Provincial Capital Investment Fund to support labour-intensive, socially useful capital works projects across the country. Such a Fund might be operated along the lines of the Winter Capital Programs of the early 1970's in which federal loans were made to provinces and then a portion forgiven, according to various broadly-defined job creation criteria.

We would also recommend that consideration be given to federal guarantees for provincial borrowing for job creation purposes. Such guarantees — which would be largely "costless" to the federal government — would be particularly helpful to smaller provinces, including our own, in our dealings in international financial markets.

6. Improved Federal Job Creation Programming and Training

To a degree, the federal government has consulted with provinces in the development of its direct job creation programs and in the re-direction of its national training efforts. However, there is a concern among provincial governments that the large number of federal job creation programs could be integrated better, and coordinated better with provincial programming, and that federal training efforts should be better synchronized with current conditions in the job market. We would recommend that these concerns be reviewed by the federal and provincial governments — probably under auspices of Ministers of Manpower and Labour — and that federal resources for job creation and training be expanded substantially beyond current levels.

7. Extension of Unemployment Insurance Benefits

As the unemployment situation worsens, greater numbers of unemployed are exhausting their benefits under the Unemployment Insurance Program. We recommend that consideration be given to an extension of the Unemployment Insurance entitlement period as an alternative to increased reliance on provincial and municipal social assistance. We also recommend that such an extension be financed from general federal revenues rather than increased Unemployment Insurance premiums.

8. Improved Federal-Provincial Consultations

As noted earlier, the provinces are on record as standing ready to cooperate with the federal government in developing an effective national recovery strategy. The Provincial Premiers have called specifically for a First Ministers' Conference on the Economy, and Manitoba believes such a Conference is essential as a focal point for a coordinated national attack on unemployment. We continue to hope that the federal government will agree to such a Conference at the earliest opportunity.

At the same time, we also recognize the potential importance of other consultations, such as this Conference of Finance Ministers and Treasurers. Several years ago, there appeared to be a consensus that Finance Ministers' meetings should be held at least quarterly whenever practicable. We would recommend that consideration be given to reinstituting such a schedule, at least for the duration of the current unemployment crisis. Another early meeting is essential in any case if we are to cooperate in the development of a major capital works program.

We also note that the provinces are attempting to initiate early consultations among Federal and Provincial Labour and Manpower Ministers — with a meeting possible early next month.

Earlier this month, the Governments of Canada and Manitoba signed a letter of understanding concerning the development of a Canada-Manitoba Employment Development Program. That letter stated that the Agreement would provide specifically for:

> "Ongoing liaison and information sharing on all employment development initiatives to encourage coordination of activities, prevent program duplication and maximize overall effectiveness of employment development initiatives in addressing the adverse effects of high unemployment."

We believe this kind of cooperative approach should be applied more broadly, on a national basis, to all matters of policy related to combatting unemployment and stimulating recovery.

Honourable Vic Schroeder
Minister of Finance
Government of Manitoba

FEDERAL TRANSFERS TO MANITOBA — NEED FOR REVIEW:

Notes for a Submission to Honourable Marc Lalonde Minister of Finance, Government of Canada

Ottawa, February 4, 1983

The changes to equalization and established programs financing initiated by Ottawa last year are continuing to have a significant adverse impact on provincial finances with the result that the Government of Manitoba is facing increasing difficulty in taking positive action to address the severe economic recession and establishing the base for recovery and renewed growth. Federal transfer changes were also cited by Standard and Poors Corporation as one of the major factors contributing to its decision to issue a "credit watch" on Manitoba.

> "Susceptibility to large revenue swings has increased because federal transfers have declined to 37% of total revenues in 1983 compared with 42% in 1979."

During consultations on the Fiscal Arrangements revisions last year, Manitoba expressed concern with the fact that Manitoba faced excessive losses under the federal proposals, even with the transitional protection provided by Ottawa on equalization until 1984-85. A comparison of the losses facing Manitoba relative to the average provincial loss is set out below.

Losses Under 1982 Fiscal Arrangements Revisions
Manitoba vs All Provinces
($ per family of four)

	Manitoba	All Provinces	Difference
1982-83	124	110	14
1983-84	378	199	179
1984-85	595	257	338
1985-86	788	300	488
1986-87	896	355	541
5-Year Total	**2,786**	**1,227**	**1,559**

As is evident from the table, Manitoba faces considerably more significant losses in each succeeding year of the new arrangements.

While in general, the province was treated in a manner consistent with other provinces on established programs financing, the equalization changes are having an extremely serious and disproportionate effect on Manitoba. Despite transitional adjustment arrangements there is a significant drop-off in Manitoba's share of equalization under the new arrangements from close to 10% over the 1977-78 to 1981-82 period to about 8% under the 1982-83 to 1986-87 formula.

Percentage Shares of Equalization Payments
5-Year Averages

	1977-78/ 1981-82	1982-83/ 1986-87	Percentage Point Change
Newfoundland	10.6	11.2	+0.6
Prince Edward Island	2.5	2.7	+0.2
Nova Scotia	12.8	13.3	+0.5
New Brunswick	10.2	10.6	+0.4
Quebec	52.7	54.1	+1.4
Manitoba	9.8	8.1*	-1.7
Saskatchewan	1.5	0.0*	-1.5
Total	**100.0**	**100.0**	—

**Per cent for Manitoba would be 7.6% without transitional adjustments and 9.1% if the 1977-78 to 1981-82 arrangements had been extended.*

The same result is reflected in the province's projected equalization growth rate under the new arrangements. Manitoba's equalization payments in 1986-87 are expected to be 37.2% higher than in 1981-82 compared with the all-province average increase of 69.8%. Quebec is expected to experience the next lowest growth in equalization of 66.1%.

It is also informative to consider the dollar value of equalization payments to Manitoba under the new arrangements compared with an extension of the 1981-82 arrangements. Again, the comparison shows major losses to Manitoba which increase significantly over time.

Equalization Entitlements for Manitoba
1982-83 — 1986-87
10-Province National Average Standard (1981-82 Formula)
vs
Current 5-Province Average Standard

	Entitlements (Millions)			
	1981-82 Formula 10-Province Average	Current Formula 5-Province Average	Loss Under 5-Province Average	
	$	$	$	%
1982-83	452	431*	-21	4.6
1983-84	535	457*	-78	14.6
1984-85	594	470*	-124	20.9
1985-86	657	488	-169	25.7
1986-87	728	538	-190	26.1
5-Years	**2,966**	**2,384**	**-582**	**19.6**

**Includes transitional adjustments. 5-Year loss in absence of transitional adjustments would be $165 million more or -$747 million.*

While the federal choice of any specific equalization formula is admittedly arbitrary, the significant erosion of direct federal support to Manitoba under the new formula, as recently underscored by Standard and Poors, appears inconsistent with the economic realities facing the province.

Over the five years of the former arrangements, Manitoba's economic performance was well below the national average and on a number of major indicators, including real growth, employment and investment, the provincial performance ranked last among the provinces.

Economic Indicators by Province
1976 to 1981
(% change)

	Real Domestic Product	Employment	Investment
Newfoundland	8.3	19.1	38.8
Prince Edward Island	8.9	14.3	56.7
Nova Scotia	15.1	13.0	86.4
New Brunswick	9.3	15.9	28.7
Quebec	10.3	9.3	43.1
Ontario	8.1	14.8	63.4
Manitoba	7.3	8.5	25.9
Saskatchewan	12.6	14.3	90.1
Alberta	38.3	30.6	145.1
British Columbia	20.6	22.3	125.7
Canada	13.4	15.3	79.9

SOURCE: Statistics Canada and Conference Board of Canada.

As we pointed out last year, reasonable recognition of that poor economic performance which represents a declining share in growth, employment and investment, militated against implementation of an equalization formula which reduces so significantly the Manitoba share of equalization. In essence, the federal reductions further impair the province's ability to exert a positive influence on developments within the province.

The transitional adjustment arrangements are proving to be of some benefit to Manitoba at the present time. However, the very fact that transitional payments were required under the new formula for a province such as Manitoba with the kind of weak economic performance experienced since the mid-seventies calls into question the viability of the new formula in achieving its objectives. In addition, the latest federal estimates suggest that in order to provide Manitoba with the minimal floor protection envisaged for the first three years of the new arrangements, higher-than-expected transitional payments are involved. And the gap between the floor guarantee and the entitlement generated under the new formula appears to be widening rather than narrowing as suggested in federal material last year.

Transitional Assistance and Equalization — Manitoba
($ Millions)

	1982-83	1983-84	1984-85
MARCH, 1982 FORECASTS			
Basic Equalization	349	401	443
Transitional Payment	82	56	27
Total Equalization	431	457	470
JANUARY, 1983 REVISIONS			N/A
Basic Equalization	316	335	
Transitional Payments	113	120	N/A
Total Equalization	429	455	

1981-82 ENTITLEMENT: $390 million

In summary, experience to date with the new equalization formula unfortunately confirms the validity of the concerns and reservations expressed by Manitoba last year. There is an urgent need to review the underlying formula to assure adequate and reasonable entitlements for Manitoba over the longer term. The general economic and financial conditions facing the province confirm the need for immediate measures to increase the amount of equalization accruing to Manitoba. One way in which this could be achieved might be through improvements in the transitional payments formula which would "buy" time pending the completion of a general review of equalization. In addition, federal consideration of other financial arrangements affecting the province should concentrate on alleviating the impact of the reductions in federal support already being experienced rather than imposing further reductions.

Honourable Vic Schroeder
Minister of Finance
Government of Manitoba

MAJOR CAPITAL INVESTMENT INITIATIVES: NEED FOR FEDERAL LEADERSHIP

Notes for a Submission to Honourable Marc Lalonde Minister of Finance, Government of Canada

Ottawa, February 4, 1983

THE ROLE OF CAPITAL PROJECTS IN NATIONAL ECONOMIC RECOVERY

Manitoba welcomes the federal government's interest in proposals for major capital spending in order to preserve jobs, stimulate employment in the short term, improve prospects for an early recovery and improve the longer term productive capacity of the economy.

As indicated at the December Finance Ministers' Conference, Manitoba is of the strong view that:

> "... it is essential that we recognize the tremendous potential to use currently unemployed capacity, both capital and labour, to put into place now the transportation networks, the public infrastructure, the housing, the hydro transmission lines, the resource development work required to meet the needs of the future."
>
> "The advantages of undertaking such projects now include the provision of jobs to those who want work and not unemployment insurance or welfare, the provision of needed stimulus to domestic markets now and the rebuilding of consumer and investor confidence now. By the same token, immediate commencement of such projects means that they can largely be in place or complete when the economy resumes strong growth."

Accordingly, we are encouraged by the general recognition among Finance Ministers of the importance of capital spending in alleviating the current unemployment crisis. We are particularly pleased with the federal interest in pursuing a cooperative national program of investment initiatives.

FEDERAL INVESTMENT POLICIES — RECENT MANITOBA EXPERIENCE

The federal government, of course, has a strong commitment to alleviating regional disparities throughout Canada which complements the national commitment to equalization. It is therefore important that federal policy continue to be sensitive to the needs of the various regions.

Tested against this principle, information on the pattern of federal investment spending in recent years suggests that less than adequate attention has been paid to the regional dimensions of federal policies, particularly in the Manitoba context.

Federal new capital investment in Manitoba (including expenditures of government departments, enterprises and for institutions and housing) has declined as a proportion of total federal expenditures across the country, from a range of 5.5% to 5.8% from 1976 to 1979 to 5.0% in 1980 and 1981 and to a projected 4.2% for 1982. These reductions in shares culminated in 1982 with a 0.5% decline in the level of federal investment spending in Manitoba compared with an 18.8% increase for Canada as a whole.

Federal Government Investment
(New Capital Expenditures)

	In Manitoba		In Canada		Share in Manitoba
	$ millions (% change)				%
1976	119.5		2,130.6		5.6
1977	124.0	(3.8)	2,132.4	(0.1)	5.8
1978	119.7	(-3.5)	2,164.7	(1.5)	5.5
1979	130.5	(9.0)	2,260.4	(4.4)	5.8
1980	136.7	(4.8)	2,760.1	(22.1)	5.0
1981*	182.6	(33.6)	3,657.9	(32.5)	5.0
1982+	181.7	(-0.5)	4,344.6	(18.8)	4.2

**1981 preliminary actual*
+1982 revised intentions

SOURCE: Statistics Canada, unpublished data.

The reduction in federal investment spending in the province amounted to some $64 million in 1982 compared with the province's share in the 1976-1979 period. Looked at another way, maintaining the investment share of the late 1970's, which presumably was deemed appropriate to the federal economic development policies and initiatives to counter regional disparities, would have implied a 35% increase in federal investment spending in Manitoba over the latest reported information for 1982. It is also important to note that the apparent reductions in federal investment occurred during a period when Manitoba experienced one of the weakest economic performances among all provinces and faced increased competition from growth centres in other western provinces.

Unfortunately, the federal reductions have exacerbated a disturbing trend which was evident in the Manitoba economy in the late 1970's. From 1976 to 1978, growth in private investment in Manitoba ranked second to fourth

strongest among all provinces. Subsequently, growth in private investment spending declined to among the weakest among provinces. In the former period, rapid growth in private sector investment in Manitoba was accompanied by very limited growth in federal investment in the province, while nationally the more moderate increase in private investment was accompanied by somewhat stronger growth in federal spending. The Government of Manitoba views such a distribution of federal expenditures as desirable and appropriate to the circumstances. After 1978, however, there was virtually no growth in private investment in Manitoba while nationally private investment by 1982 had increased some 58%. Meanwhile, federal investment expenditures in Manitoba increased by approximately one-half of the 101% increase for Canada as a whole. Thus federal investment expenditures reinforced and accelerated a strong investment trend which was underway in Canada, but failed to provide the appropriate offsets and stimulus during the downturn in investment which was emerging in Manitoba.

Growth in Investment Expenditures
(percentage increase)

		Private Sector	Federal Government
In Manitoba	1976-78	30.5	0.2
	1978-82	3.3	51.8
	1976-82	34.8	52.1
In Canada	1976-78	14.6	1.6
	1978-82	57.9	100.7
	1976-82	**81.0**	**103.9**

SOURCE: Statistics Canada, Private and Public Investment and unpublished detail.

Based on this limited information, it appears incumbent on Ottawa to pay greater attention in its investment plans to assure that their success in alleviating regional disparities and exerting a positive developmental influence in Manitoba is maximized.

MANITOBA CAPITAL INVESTMENT PROPOSALS

In response to the federal invitation to submit proposals for investment projects which could be included in a national economic recovery program, Manitoba has compiled an initial list of some $2.8 billion in investment projects not already committed or budgetted. The magnitude of this initial compilation underscores the potential for a joint cooperative effort in Manitoba.

In general, the proposals fall into four categories:

- public infrastructure
- housing
- hydro-electric development
- industrial

with the greatest share of proposals in the public infrastructure category.

NEED FOR FEDERAL LEADERSHIP

While the worth of many of the projects is unquestionable, the unfortunate reality is that they are beyond the province's limited financial capacity. The same is undoubtedly true for virtually all the provinces, but even more so for the have-not provinces.

A prerequisite to their commencement is significant federal financial participation with contributions weighted to take into account local financial circumstances. A strong federal commitment would, in our view, serve as a catalyst to assure their early start-up. Federal loan guarantees could also be of assistance.

In the interests of facilitating appropriate planning for the commencement of projects which have the best balance of employment potential and useful improvement to the province's economic base, additional information on federal intentions is required. More specifically, information is needed on the magnitude of proposed federal funding, the criteria or conditions which Ottawa may apply to project selection, the regional allocation of federal funding, the extent of differential regionally sensitive cost-sharing and potential for loan guarantees.

In summary, Manitoba retains a keen interest in cooperating with the federal government in initiating major capital spending programs to stimulate jobs now and improve the economy over the longer term. We look forward to an early indication from the federal government as to its intentions. We are prepared to participate in whatever consultative forums Ottawa deems advisable to finalize arrangements and assure early commencement.